



# 10 Things to Know about SECURE 2.0

## Secure Your Retirement

The SECURE 2.0 Act of 2022 is now law. It's aim: to expand retirement plan coverage and increase retirement plan savings. Consider how these changes may help address your retirement readiness.

- 1 **New RMD ages.** The first SECURE Act increased the RMD (required minimum distribution) age from 70½ to 72 for retirement account owners who turned 70½ after 2019. SECURE 2.0 increases the RMD age as follows:

	RMD Age
Born in 1950	Remains at 72
Born 1951-1959*	73
Born 1960 & later*	75

\*Technical correction needed to reflect Congressional intent.



- 2 **Reduced RMD penalty.** Effective now, the 50% penalty imposed on any missed RMDs is reduced to 25%. It's further reduced to 10% if the missed RMD is corrected in a timely manner (generally before the end of the second year following the year in which the distribution should have been made).
- 3 **Increased catch-up limits at ages 60, 61, 62 and 63.** Effective in 2025, such retirement account owners can contribute up to 150% of the regular catch-up contribution limit in 401(k), 403(b), 457(b) governmental and SIMPLE plans. For example, if the catch-up limit for a 401(k) plan is \$8,000 in 2025 (currently \$7,500 in 2023), then a participant age 60 could contribute the elective deferral limit in that year, plus a catch-up contribution of \$12,000.
- 4 **Increased limit for qualified longevity annuity contracts (QLACs).** QLACs provide a guaranteed stream of income later in life and are excluded when calculating RMDs from qualified funds. As long as QLAC distributions are delayed, so too are the associated RMDs and taxes. Up to \$200,000 (less any premiums paid to other QLACs) can be contributed to new QLACs. The former "25%-of-plan limit" doesn't apply to new contracts. The \$200,000 limit will be indexed beginning in 2024.
- 5 **New qualified charitable distribution (QCD) option.** Effective now, an IRA owner may make a one-time election to donate \$50,000 to a charity via a charitable gift annuity or charitable remainder trust. The donation will be treated as a QCD and excluded from income if it would otherwise be deductible as a charitable deduction. Both the annual \$100,000 QCD limit and the one-time \$50,000 limit will be indexed beginning in 2024.

- 6 **Matching contributions for student loan payments.** For plan years after 2023, employers may make matching contributions to 401(k), 403(b), 457(b) governmental or SIMPLE plans on behalf of an employee making qualified student loan payments. Such contributions are subject to the elective deferral and the employee's certification that the payments have been made.
- 7 **Additional opportunities to make or receive Roth contributions.** Congress likes the immediate taxation of Roth contributions. Generally effective now, employees may elect to have the following made as Roth contributions:
  - › Employer matching or nonelective contributions to 401(k), 403(b), 457(b) governmental or SIMPLE plans
  - › Elective deferrals to SIMPLE IRAs
  - › Employer contributions to SEPs
- 8 **More exceptions to 10% early distribution penalty.** SECURE 2.0 provides more ways to access qualified funds by adding more exceptions to the 10% early distribution penalty.

Generally	Distributions
2023	For terminal illness (death expected within 84 months)
2024	For self-certified domestic abuse victims (not more than \$10,000)
2024	For emergency personal expenses (not more than \$1,000)
2024	From emergency savings accounts (ESAs)
2026	From qualified plans and 403(b) and 457(b) governmental plans to pay long-term care premiums (not more than \$2,500)

- 9 **Lifetime RMDs eliminated from designated Roth accounts.** Lifetime RMDs will not be required from 401(k) or other designated Roth accounts beginning after 2023. This rule has always applied to Roth IRAs.
- 10 **529-to-Roth-IRA Transfers.** To address parents' concerns that their children will not be able to use 529 funds for qualified education expenses, certain distributions after 2023 from 529 plans maintained for more than 15 years may be transferred tax- and penalty-free to a Roth IRA for the benefit of the 529 plan beneficiary. Such transfers are subject to IRA annual contribution limits and to a \$35,000 lifetime limit.

**As always, consult with your financial or tax professional to understand how SECURE 2.0 changes may apply to you.**

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