Wealth & Investment Management

Advice and Planning Update

SECURE Act 2.0: What you need to know about new retirement savings and distribution rules

On December 29, 2022, President Biden signed into law the Consolidated Appropriation Act of 2023. Included in this Act is SECURE Act 2.0 that is primarily aimed at helping boost retirement savings.

Those saving for retirement and retirees can potentially benefit from this new legislation, as well as small business owners.

We have summarized some of the key points below.

Tax provision	**Summarized details**
The change in required minimum distribution (RMD) age from IRAs and qualified employer sponsored retirement plans (QRP) such as 401(k), 403(b), and governmental 457(b).	The RMD age increases to age **73 in 2023** and to age 75 in 2033. If you turn age 72 in 2023, your RMD is not due until 2024.
The reduction in excise tax on certain accumulations in QRPs and IRAs.	Beginning in 2023, the excise tax for every dollar of your RMD under-distributed is reduced from 50% to 25%. May be reduced to 10%, if you correct the shortfall during a two-year correction window.

Includes a one-time election for an IRA qualified charitable distribution ("QCD") to split-interest entity and increases the QCD limit.	Beginning 2023, a one-time $50,000 QCD paid directly from your IRA to certain split-interest entities, including charitable remainder annuity trusts, charitable remainder unitrusts, and charitable gift annuity. The $50,000 is part of the $100,000 QCD annual limit. Beginning 2024, the $100,000 QCD annual limit will be indexed for inflation.
Clarifies that the repayment of a qualified birth or adoption distribution is now limited to three years.	Requires qualified birth or adoption distributions to be recontributed within three years of the distribution in order to qualify as a rollover contribution. Effective for distributions made after 2022. For prior distributions, the repayment period ends December 31, 2025.
Includes new exceptions to the 10% additional tax for early or pre-59 ½ distributions.	Additional distribution exceptions include: • Certain emergency expenses up to $1,000, can repay within 3 years (optional provision in employer's plan) • Pension-linked emergency savings account (optional provision in employers plan and as described in the Act) • Domestic abuse survivor • Terminal Illness • Qualified disaster recovery, up to $22,000, can be repaid within 3 years • Qualified long-term care
Permits qualified rollovers from 529 plans to a Roth IRA.	Beginning in 2024, 529 designated beneficiaries can make a rollover contribution from their 529 to their Roth IRA if certain conditions are met: • 529 must have been maintained for 15 years • May not exceed the aggregate of contributions and earnings in the account more than five years before the rollover • May not exceed $35,000 lifetime limit • Are subject to annual Roth IRA contribution limits • The Roth IRA owner must have earned income at least equal to the amount of the rollover
Allows 401(k), 403(b), governmental 457(b) and SIMPLE IRAs to "match" student loan payments.	In order for a 401(k), 403(b), governmental 457(b), or SIMPLE IRA to "match" a student loan payment, the matching contributions must be: • Available to participants eligible to defer money and receive matching contributions • Matched at the same rate as matching contributions on elective deferrals • Subject to the same vesting schedule as the matching contributions on elective deferrals

Additional increase in catch-up contributions in 401(k), 403(b), and governmental 457(b) and SIMPLE retirement plans for 60–63-year-olds **beginning in 2025.**	Starting in 2025, if you are aged between 60-63 you can contribute the greater of either $10,000 or 50% more than the regular catch-up contributions to 401(k), 403(b), and governmental 457(b)plans. For SIMPLE plans the catch-up contribution for the same age group will be the greater of $5,000 or 50% of the catch-up contribution limit.
Increased startup tax credit for small employers.	Increases the 3-year small business startup credit from 50% to 100% of administrative costs up to an annual cap of $5,000. • Defined contribution plans receive an additional credit for employer, generally a percentage of the contribution from the employer on behalf of employees earning less than $100,000 up to a per-employee cap of $1,000. • A full credit for employer contributions is limited to employers with 50 or fewer employees and phased out for employers with between 51 and 100 employees.

We hope this information will help you with your retirement planning goals. Please consult with your tax, legal and advisors to discuss how these new rules impact your specific situation and what potential actions, if any, you should take.

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CAR-0123-02577