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# SECURE 2.0

## Expanding Access to Retirement Savings

It's official. President Joe Biden passed the SECURE 2.0 Act, legislation that will bring widespread changes to the retirement system and will increase the savings potential for many Americans. SECURE 2.0 broadens access to retirement savings for both retirees and the younger generation through expanding auto-enrollment, providing emergency savings, offering student loan debt employer match contributions, and more.

### KEY POINTS:

- The age to start taking Required Minimum Distributions (RMD) increases to age 73 in 2023 and to 75 in 2033.
- The penalty for failing to take an RMD will decrease to 25% of the RMD amount, from 50%.
- Starting in 2024, RMDs will no longer be required from Roth accounts in employer retirement plans.
- Catch-up contributions will increase in 2025 for 401(k), 403(b), governmental plans, and IRA account holders.
- Defined contribution retirement plans will be able to add an emergency savings account associated with a Roth account.

# How Will Retirement Plans Change?

## FOR THOSE AT OR NEARING RETIREMENT

### RMDS AGE INCREASE

- Currently, participants must begin taking distributions from their retirement plans at age 72. Starting January 1, 2023, SECURE 2.0 increases the required minimum distribution age to 73 and again to age 75 starting in 2033.
- Starting in 2023, the penalty for failing to take an RMD will decrease from 50% to 25% of the RMD amount not taken. The penalty will be reduced to 10% for IRA owners if the account owner withdraws the RMD amount previously not taken and submits a corrected tax return in a timely manner.
- Starting in 2023, Roth accounts in employer retirement plans will be exempt from the RMD requirements.

### HIGHER CATCH-UP LIMIT TO APPLY AT AGES 60, 61, 62, AND 63

- Starting January 1, 2025, individuals ages 60 through 63 years old will be able to make catch-up contributions up to \$10,000 annually to a workplace plan. The increased amounts will be indexed to inflation.
- *Important to note:* If you earn more than \$145,000 in the prior calendar year, all catch-up contributions at age 50 or older must be made to a Roth account in after-tax dollars. Individuals earning \$145,000 or less, adjusted for inflation going forward, will be exempt from the Roth requirement.
- Starting in 2023, the IRA catch-up contribution limit for people aged 50 and over will be indexed to inflation.

### EMPLOYEE MATCHING FOR ROTH ACCOUNTS

- Employers will now be able to provide employees the option of receiving vested matching contributions to Roth accounts. Previously, matching in employer-sponsored plans was made on a pre-tax basis.
- *Important to note:* Unlike Roth IRAs, RMDs from an employer-sponsored plan are required for Roth accounts until tax year 2024.

## EXPANDED QUALIFIED CHARITABLE DISTRIBUTIONS (QCDs)

- SECURE 2.0 has expanded the type of charity, or charities, that can receive a QCD. Beginning in 2023, people aged 70½ and older may elect as part of their QCD limit a one-time gift up to \$50,000 (adjusted annually for inflation) to a charitable remainder unitrust, a charitable remainder annuity trust, or a charitable gift annuity.
- *Important to note:* This amount counts toward the annual RMD, if applicable. Note, for gifts to count, they must come directly from your IRA by the end of the calendar year.

## FOR THOSE PLANNING FOR RETIREMENT DOWN THE LINE

### EXPANDING AUTOMATIC ENROLLMENT

- Starting in 2025, SECURE 2.0 requires businesses adopting new 401(k) and 403(b) plans to automatically enroll eligible employees, starting at a contribution rate of at least 3% but not more than 10%. Employees may opt-out of coverage.
- The act also permits retirement plan service providers to offer plan sponsors automatic portability services, transferring an employee's low-balance retirement accounts to a new plan when they change jobs. This change will allow employees to continue building their savings in another retirement plan, rather than cashing out.



### BUILDING EMERGENCY SAVINGS

- Defined contribution retirement plans would be able to add an emergency savings account that is a designated Roth account eligible to accept participant contributions for non-highly compensated employees starting in 2024. Contributions would be limited to a maximum of \$2,500 annually and the first four withdrawals in a year are tax and penalty-free. Contributions may also be eligible for an employer match.

## STUDENT LOAN DEBT MATCH

- Starting in 2024, employers will be allowed to make matching contributions to an employee's 401(k) per their plan provisions when an employee makes a student loan repayment.

## 529 PLAN ASSETS

- After 15 years, 529 plan assets can be rolled over to a Roth IRA for the beneficiary, subject to annual Roth contribution limits and an aggregate lifetime limit of \$35,000. Rollovers cannot exceed the aggregate before the 5-year period ending on the date of the distribution. The rollover is treated as a contribution towards the annual Roth IRA contribution limit.

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## TALK TO A TRUSTED EXPERT

**SECURE 2.0 can strengthen your financial readiness for retirement.**

**Contact our retirement team today** to help you implement these changes and manage a retirement plan focused on safeguarding your future.



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