

# Secure Act 2.0 Key Takeaways



## Increased Participation in Employer Sponsored Plans

1. **Auto Enrollment Requirement for new plans** – Beginning in 2025, new 401k and 403b plans must auto enroll participants with a minimum deferral rate of 3% of salary but no more than 10%. Salary deferrals will increase each year by 1% for a maximum of 15%.  
*There are exceptions to existing plans, employers with 10 or less employees, new businesses, church plans and governmental plans.*
2. **Enhanced tax credit for start-up retirement plans** – Beginning in 2023, certain small businesses establishing new plans will be able to calculate the tax credit based on 100% of administrative cost with an annual cap of \$5000. This is an increase from 50% for previous years. This tax credit is available for the first 3 years of the plan.

## Increased Retirement Savings

3. **Additional Catch-Up Contributions Starting at Age 60** – Beginning in 2025 retirement plan participants can increase catch-up contributions at 60, 61, 62, and 63. The catch-up contribution is the greater of \$10,000 or 150% of the catch-up contribution in place for 2025. This is in addition to the current catch-up contribution for those 50 and older.

## Changes to Required Minimum Distributions

4. **RMD Age Increase** – The starting age for Required Minimum Distributions increases to age 73. This takes effect this year (2023)
5. **Elimination of RMDs for Designated Roth Accounts** – Beginning in 2024 you will not be required to take a Required Minimum Distribution from Roth 401ks.
6. **Reduced Penalty for Missed RMDs** – The penalty for a missed Required Minimum Distribution is reduced from 50% to 25%. This can be as low as 10% if corrected in a timely manner.

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# Secure Act 2.0 Key Takeaways (cont.)

## Increased Roth Savings in Employer Sponsored Plans

7. **SEP and Simple Roth Account Options**- Beginning this year participants now have the option to contribute to Roth accounts in their SEP and SIMPLE plans
8. **Roth Option for Employer Contributions** – Participants may direct employer matching contributions to a designated Roth account instead of the Traditional pre-tax account.
9. **Roth Requirement for Catch-up contributions** – Beginning in 2024 for individuals with income \$145,000 and higher in the previous year, catch-up contributions must be directed into a designated Roth account within the retirement plan.

## Qualified Charitable Distributions

10. **QCD limit will be indexed for inflation** – This will begin in 2024. The current limit is \$100,000.
11. **One-Time Charitable IRA Distribution** – Effective this year, an IRA owner can make a one-time tax-free distribution up to \$50,000 to a charitable trust or charitable gift annuity for the sole benefit of the account owner or spouse.

## 529 Plans

12. **Roth IRA Rollover Option for Unused 529 Plans** – Beginning in 2024, up to \$35,000 in 529 funds can be contributed to a Roth IRA in the name of the 529 beneficiary. The 529 must have been open for at least 15 years. Contributions and earnings within the last 5 years are not eligible for rolling over. The rollover amounts cannot exceed the annual Roth IRA contribution limits and the beneficiary must have earned income.

*This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.*

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