Secure Act 2.0

Take Our Compatibility Survey

On December 23rd, 2022, Congress passed the SECURE Act 2.0, expanding on the original SECURE Act passed in 2019. This legislation impacts retirees as well as those who are saving for retirement. We have highlighted the most significant changes below. Please review with your wealth consultant how these changes will impact you. If you are not a current client, visit our website to learn more.

Required Minimum Distribution (RMD) Age Pushed Back

Starting in 2023, RMDs are required to begin at age 73 (previously 72). Starting in 2033, the required age increases to 75. For those that do not need to access retirement accounts, this change provides additional years to complete Roth conversions and charitable giving. For those who are younger than 73, we recommend reviewing your withdrawal strategy.

Roth IRA Changes

- If you have an employer-sponsored Roth plan, such as a Roth 401(k), you will no longer be required to take RMDs from that account (starting in 2024).
- Roth SIMPLE IRA and Roth SEP IRA accounts are now available.
- For those who are over age 50 and make over $145,000, any catch-up retirement contribution ($7,500 in 2023) will be required to be a Roth contribution (effective 2024).

529 to Roth IRA

Starting in 2024, you can roll a lifetime maximum of $35,000 from a 529 education plan to a Roth IRA. It must be rolled over to a Roth IRA that is in the name of the beneficiary, and it is eligible for accounts that have been maintained for at least 15 years. Any contributions made within the last five years (plus earnings on those contributions) are ineligible to be moved to a Roth.

Missed RMDs

Starting in 2023, the penalty for missing RMDs is reduced from 50% to 25% of the missed payment. The penalty is reduced to 10% if fixed during the correction window.

Qualified Charitable Distributions (QCDs)

QCDs are a valuable tool for those who are over 70 ½ and are philanthropic. You can gift up to $100,000 from an IRA, and the amount gifted will not be counted as taxable income, reducing the individual’s RMD. Starting in 2024 this $100,000 will be indexed for inflation. In addition, in 2023 there is a one-time ability to do a $50,000 QCD and fund a Charitable Remainder Trust (CRT). There are limitations on this, specifically that the income beneficiaries are limited to the owner and spouse, and the money can’t be put into an existing account. If you are curious to learn more, discuss it with your wealth consultant and tax advisor.

Emergency Savings Accounts

Starting in 2024, employers will be able to add Employer Savings Accounts (ESAs) to a cash account that participants can access monthly penalty and tax-free. Employees can direct their employer match into this account or their retirement account. Highly compensated employees may not participate, and the balance may be, at most, $2,500. Companies are not required to add this feature, so review it with your employer.

Student Loan Payments

Employers have the option to direct their matching contribution to go toward student loans. As with the ESAs, these are not required, so check with your employer if they will be offering this benefit.

ABLE Accounts

ABLE accounts are tax-advantaged accounts for individuals with disabilities. Previously, to be eligible for an account, the individual needed to be disabled before they turned 26. Starting in 2026, this age will be increased to 46, significantly expanding the benefits of these accounts to more individuals.

Enhanced Access to Retirement Accounts

Retirement plan participants have increased access to funds without incurring a 10% penalty, going into effect in 2023 and 2024. In most cases, these funds can be repaid to the account within a specified period of time.

- **Qualified Disaster Recovery -** Maximum of $22,000 if primary residence in a Federal Disaster area. Must be taken within 180 days of the disaster.
- **Terminal Illness** - This is defined broadly with a life expectancy of 7 years.
- **Domestic Abuse -** Lesser of $10,000 or ½ of the account. Meant to be defined broadly and must be taken within one year following the incident of abuse.
- **Emergency Withdrawal** - Up to $1,000 from the retirement account that can be repaid over three years.
- **Long-Term Care Premiums -** Starting in 2026, you can use up to $2,500 per year to pay for premiums.

Source: https://www.congress.gov/bill/117th-congress/house-bill/2954/text

Explore Our Private Wealth Page

Katie Vercio, CFP®, CDFA®
Senior Financial Planner
To contact Katie, email:
kvercio@evergreengavekal.com