

The SECURE 2.0 Act



The SECURE 2.0 Act will help Americans bolster their retirement savings and strengthen their long-term financial security. The common-sense solutions in the bill—including encouraging employers to offer more plan options and making it easier for small businesses to offer retirement savings plans—will help ensure employees' retirement savings last a lifetime.

Here's what you need to know about the SECURE 2.0 Act of 2022:

Key Provisions:

- 1. Increase Required Minimum Distributions (RMD) Age**
Increase the beginning date for RMDs from age 72 to 73 starting in 2023 and age 75 in 2033.
- 2. Increase Catch-Up Contributions Under a Retirement Plan or IRA**
In 2023, the retirement plan catch-up contribution limit for those over 50 is \$7,500. Starting in 2025, catch-up contributions for those ages 60 to 63 will be increased to the greater of \$10,000 or 50% more than the regular catch-up contribution amount in 2024. Catch-up contributions will be indexed for inflation starting after 2025. IRA catch-up contribution for an individual who attains age 50 will be indexed for inflation starting in 2024.
- 3. Expand Roth Contributions**
Roth contributions are now allowed for SIMPLE and SEP IRAs. Employer contributions and employee elective deferrals (if permitted) can be designated as Roth.
- 4. Roth Catch-Up Contributions**
For those with incomes exceeding \$145,000, catch-up contributions will be designated as Roth contributions.
- 5. Eliminate RMDs for Roth 401(k) Accounts**
Starting in 2024, required distributions will no longer need to be taken from Roth 401(k) accounts.
- 6. 529 Plan Rollovers to Roth IRAs**
Starting in 2024, beneficiaries of 529 plans may roll over up to \$35,000 during their lifetime to a Roth IRA. The rollovers will be subject to annual contribution limits and the 529 plan must have been open for more than 15 years.
- 7. Expand 401(k) Automatic Enrollment**
Starting in 2025, 401(k) and 403(b) plan participants are automatically enrolled in the plan once they are eligible to participate. Some details are:
 - a. Initial contribution of at least 3% of their salary.
 - b. Each year contributions would increase by 1% until a goal of 10% is reached, but not more than 15%.
- 8. Emergency Savings Account**
Beginning in 2024, employers can establish an emergency savings account where employees can save up to \$2,500 in a Roth-style account. Distributions will be treated like a qualified distribution from a Roth account (tax-free if requirements are met).
- 9. Exemption from 10% Early Distribution Penalty for Withdrawals for Certain Emergency Expenses**
In case of financial hardship, up to \$1,000 may be withdrawn per year, penalty free, from a 401(k) or IRA. The employee has the option to repay the distribution within 3 years. No further distributions will be permitted during the repayment period unless the distribution is paid in full.
- 10. Modify the Saver's Credit**
To encourage those with low and moderate incomes, an eligible individual who makes a qualified retirement savings contribution shall be allowed a matching contribution. Starting in 2027, the government will provide 50% credit on savings up to \$2,000 (\$1,000 maximum credit). Credit is available regardless of whether the taxpayer has an income tax liability.
- 11. Student-Loan Matching Program**
Student loan payments will be treated as Employee Elective Deferral for purposes of matching contributions.
- 12. Increase Qualified Longevity Annuity Contract (QLAC) Contributions**
Up to \$200,000 can be contributed into a qualified longevity annuity contract. The prior 25% of income limit is eliminated.
- 13. Reduce RMD Excise Tax**
Reduced excise tax for failure to take required distributions from 50% to 25%.
- 14. Expand Qualified Charitable Distributions (QCD)**
The QCD rules are expanded to allow for a one-time \$50,000 distribution to a charity through a split-interest entity, including charitable gift annuities, charitable remainder unitrusts, and charitable remainder annuity trusts. Beginning in 2024, the \$100,000.00 annual limit on QCDs will be indexed for inflation.
- 15. Annuities in 401(k) Plans**
Removal of barriers to the use of annuities in qualified plans by exempting certain annuity features from actuarial tests that would otherwise prohibit their use.
- 16. Retirement Savings Lost and Found**
The Labor Department will create a national online searchable lost and found database.

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The SECURE 2.0 Act expands upon the original SECURE Act passed at the end of 2019. The primary purpose of both pieces of legislation is to encourage more businesses to offer a retirement plan to their employees and to encourage employees to save more for their own retirement.

Key Provisions of the Original SECURE Act:

1. **Increase tax credits to encourage establishment of retirement plans.**
2. **Expand use of multiple-employer plans to unrelated businesses.**
3. **Expand plan eligibility to long-term part-time employees who worked at least 500 hours for three consecutive years.**
4. **Repeal age limitations for IRA contributions.**
5. **Modify “Stretch” rules for most non-spousal beneficiaries, requiring a 10-year payout.¹**
6. **Encourage employers to offer guaranteed lifetime income options in their retirement plans.**

¹ Beneficiaries will implement the 10-year rule differently, determined by whether the original IRA owner had died before or after starting Required Minimum Distributions. Beneficiaries of account owners who die before starting RMDs must distribute the account balance by Dec. 31 of the tenth year following the year the IRA owner dies but are not required to distribute money in years one through nine. Beneficiaries of account owners who die on or after starting RMDs must distribute the account balance by Dec. 31 of the tenth year following the year the IRA owner dies and are required to take RMDs in years one through nine.

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1066135-00001-00 Ed. 01/2023

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