



# SECURE ACT 2.0

## Opportunities, Questions and What's Next

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# SECURE “1.0” – Setting Every Community up for Retirement Enhancement



Passed in December 2019 as part of the 2020 appropriations bill.



Included a large number of retirement-specific provisions:

- RMD increased to age 72
- Long-term, part-time employee eligibility
- Childbirth or adoption distributions up to \$5,000
- Safe harbor plan adoption after calendar year end
- Increased QACA safe harbor rate cap
- Many other provisions



Still waiting for several important regulations:

- Long-term, part-time employee eligibility



## Why SECURE 2.0?



Technical amendments to the first SECURE Act

Washington's goal to improve retirement savings

Provisions legislators did not include in the first SECURE

Proved to be popular and bipartisan



# Key Provisions – Effective Now

Provision	Effective Date	Required / Optional
<b>Federal Declared Disaster Withdrawals</b> <ul style="list-style-type: none"> <li>Provides permanent ruling for hardship withdrawals for federally declared disasters</li> <li>Up to \$22,000 with no penalty</li> <li>May be repaid within 3 years</li> </ul>	Disasters occurring on or after January 26, 2021	Optional
<b>Employers may rely on Self Certification for Hardship Withdrawals</b>	Date of enactment	Optional
<b>Expansion of Employee Plans Compliance Resolution System</b> <ul style="list-style-type: none"> <li>Allows more types of errors to be corrected internally through self-correction</li> </ul>	Date of enactment	N/A
<b>De Minimis Financial Incentives for contributing to the retirement plan</b>	Date of enactment	Optional
<b>Simplify Notice Requirements for employees who are eligible but not enrolled</b>	Date of enactment	Optional
<b>Increase in starting age for RMDs</b> <ul style="list-style-type: none"> <li>73 for a person who attains age 72 after December 31, 2022, and age 73 before January 1, 2033.</li> <li>75 for an individual who attains age 74 after December 31, 2032.</li> </ul> <i>[Anyone who turns 72 in 2023 is not required to take an RMD for 2023, instead they will be required to start taking RMDs for calendar year 2024, the year they turn 73]</i>	Applies to distributions required to be made after Dec. 31, 2023	REQUIRED
<b>Treatment of employer matching or nonelective contributions as Roth</b> <ul style="list-style-type: none"> <li>DC plans may be amended to provide participants with the option of receiving matching contributions on a Roth basis</li> <li>Matching and nonelective contributions designated as Roth contributions are not excludable from the employee's income and must be 100% vested when made</li> </ul>	As of enactment	OPTIONAL
<b>Qualified Birth and Adoption Distributions</b> <ul style="list-style-type: none"> <li>Allows penalty free distribution for child birth or adoption</li> <li>Repayment allowed within 3 years</li> </ul>	For distributions made after enactment	Distribution provision is OPTIONAL, repayment period is required



# Key Provisions – Effective 2024

Provision	Effective Date	Required / Optional
<b>Roth treatment for catch-up contributions by higher paid employees</b> <ul style="list-style-type: none"><li>For taxable years beginning after 2023, all qualified plan catch-up contributions must be Roth contributions.</li><li>Employees with compensation of \$145,000 or less (indexed for inflation) are exempt from this requirement</li></ul>	01/01/2024	REQUIRED (if plan allows catch-up contributions)
<b>Updating dollar limit for mandatory distributions</b> <ul style="list-style-type: none"><li>The limit for mandatory cash outs increased from \$5,000 to \$7,000 (without any indexation in future years).</li></ul>	01/01/2024	Optional
<b>Withdrawals for Certain Emergency Expenses</b> <ul style="list-style-type: none"><li>Penalty free withdrawal up to \$1,000 per year for emergencies</li><li>Must be for unforeseeable or immediate financial needs relating to personal or family emergency</li><li>Option to repay within 3 years</li><li>May rely on employee self-certification</li><li>No further distributions allowed during 3 years unless distribution is repaid, or deferrals made equal to amount of distribution</li></ul>	01/01/2024	Optional
<ul style="list-style-type: none"><li><b>Retirement Savings Lost and Found</b></li><li>DOL and IRS to create a national online searchable lost and found database</li></ul>	Creation of database to be completed 2 years after enactment	N/A



# Key Provisions – Effective 2024

Provision	Effective Date	Required / Optional
<b>Pension Linked Emergency Savings Account</b> <ul style="list-style-type: none"><li>• Up to \$2500 emergency savings account in the plan</li><li>• Employers may auto enroll up to 3%</li><li>• Contributions are in Roth and count toward annual deferral limit</li><li>• Contributions are eligible for match, if applicable</li><li>• Must allow at least 1 withdrawal per month, at least 4 penalty free</li><li>• HCE's may not participate</li></ul>	01/01/2024	Optional
<b>Matching Contributions on Student Loan Payments</b> <ul style="list-style-type: none"><li>• Allows employers to make matching contributions to qualified student loan repayments</li><li>• Employer may self certify loan repayment</li><li>• Employers are permitted to apply the ADP test separately to employees who receive matching contributions on account of student loan payments</li></ul>	01/01/2024	Optional
<b>Penalty Free Withdrawal for Domestic Abuse</b> <ul style="list-style-type: none"><li>• Distribution allowed of lesser of \$10k or 50% of account balance</li><li>• Includes abuse of child or household member</li><li>• Victim can self certify</li><li>• Can be repaid within 3 years</li></ul>	01/01/2024	Optional
<b>Roth Plan Distribution Rules</b> <ul style="list-style-type: none"><li>• Eliminates the requirement for participants in qualified plans to receive RMDs for Roth accounts</li></ul>	01/01/2024	Required



# Key Provisions – Effective 2025

Provision	Effective Date	Required / Optional
<b>Automatic Enrollment Required in NEW 401(k) and 403(b) plans</b> <ul style="list-style-type: none"><li>Requires all start up or new plans to include auto-enroll and auto escalate. The auto enroll must be at least 3% and increase by 1% per up to at least 10%, no more than 15%.</li></ul>	01/01/2025	REQUIRED
<b>Higher Catch-Up Limit for age 60 – 63</b> <ul style="list-style-type: none"><li>The greater of 10,000 or 150% of the regular limit</li><li>Increased amounts will be indexed after Dec. 31, 2025</li></ul>	01/01/2025	REQUIRED
<b>Improving Coverage for part-time workers</b> <ul style="list-style-type: none"><li>Reduces from three to two the required time of service to be eligible for the plan (<i>500 hours per year for two consecutive years</i>)</li><li>Pre 2021 service disregarded for purposes of vesting</li><li>Pre 2023 service disregarded for purposes of eligibility and vesting</li></ul>	01/01/2025	REQUIRED

➤ **Plan amendments to comply with the SECURE 2.0 Act must generally be adopted by the end of the 2025 plan year.**



The logo for Sage View features the words "SAGE" and "VIEW" stacked vertically in a white, thin-lined, sans-serif font. A diagonal slash is positioned between the two words, starting from the top left of the 'S' and extending to the bottom right of the 'V'.

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