

SECURE ACT 2.0

Presented by Chris Williams



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THE CONSOLIDATED APPROPRIATIONS ACT OF 2023

- Passed December 23, 2022
- Signed into law December 29, 2022
- \$1.7 trillion spending bill
- Includes government funding and TikTok restrictions
- Division T “SECURE ACT 2.0”
- “Setting Every Community Up for Retirement Enhancement Act”

SECURE ACT 2.0

- Increase employee and employer participation
- 92 provisions
- Numerous effective dates (immediately- 2027)
- Plan amendments must be adopted by the end of 2025 or 2027 for governmental and CB plans.
 - Tip: keep track of any optional provisions elected

REQUIRED MINIMUM DISTRIBUTIONS (RMDs)

- Increases the age of RMDs
- 70 ½ pre-SECURE 1.0
- SECURE 1.0 increased age to 72
- SECURE 2.0 Increases RMD Age to 73 for individuals who reach age 72 after 12/31/2022 and before 1/1/2033
- SECURE 2.0 Increases RMD Age to 75 for individuals who turn 74 after 12/31/2032
- Required Change
- Effective Immediately

Note: Plans can not require participants to wait until RMD age to start disbursements

RMD EXCISE TAX REDUCTION

- Reduces the Excise Tax for timely taking RMDs
- 50% to 25%
- Further decreases to 10% if the distribution is taken during a “correction window”
 - Begins on date tax is imposed
 - Ends on earlier of
 - Date notice is mailed
 - Date tax is assessed
 - Last day of the 2nd taxable year after the year the tax was imposed.
- Effective Immediately

RECOVERY OF OVERPAYMENTS

- Protects participants from unintended hardships
- Allows plan sponsors to not recoup certain overpayments and still qualify as a tax-favored plan
- New limitations if plan sponsor decides to recoup overpayments
 - No interest on overpayment
 - Not sending the participant to collections
 - Three-year recovery limit
- Effective Immediately

QUALIFIED BIRTH AND ADOPTION DISTRIBUTION

- SECURE 1.0 added in-service distribution for qualified birth and adoption
- 10% early disbursement penalty does not apply
- SECURE 2.0 sets three-year time frame for repayment in order to qualify as a rollover
- Effective Immediately

CERTIFICATION OF HARDSHIPS

- SECURE 2.0 allows plan administrators to rely on an employee's self-certification of
 - The hardship event
 - The amount is not in excess of the amount needed to satisfy the hardship
 - The participant had no other means to satisfy the need
- Effective Immediately

TERMINAL ILLNESS DISTRIBUTION

- Allows distributions for terminal illness if substantiated by a physician
- Avoids the 10% penalty for early distributions
- Death must be expected within seven years
- May be repaid within 3 years and treated as an eligible rollover
- Effective Immediately

OTHER IMMEDIATE PROVISIONS

- Eliminates the first day of the month rule for 457(b) plans
- Modified start-up tax credit and new match tax credit
- 403(b) MEPs/PEPs
- Optional Treatment of employer matching/non-elective contributions as ROTH contributions
- Federal Disaster Distributions

EMERGENCY WITHDRAWALS

- Allows penalty free distribution for emergency personal expense
- Written participant certification that the distribution is for a family or personal emergency
- Up to \$1,000
- Can not take another for the next three calendar years unless participant repays
- Effective 1/1/2024

ROTH CATCH-UP CONTRIBUTIONS

- Participants that earn more than \$145,000 or more (indexed for inflation) are subject to Roth tax treatment for catch-up contributions.
- Consider pro actively adding Roth options
- Effective 1/1/2024

PAPER STATEMENT REQUIREMENT

- Paper statement must be provided no less than annually
- Participant can opt out
- Effective 1/1/2026



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