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The Secure 2.0 Act of 2022

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On December 29, 2022, President Biden signed the omnibus spending bill which includes the Secure Act 2.0. Approximately 400 pages in length, the Secure Act 2.0 includes several key provisions regarding retirement plans. The following paragraphs address several of the key provisions, which will take effect in 2024 unless otherwise stated.

The required minimum distribution (RMD) age increases to 73 in 2023 and rises again to 75 in 2033.

The IRA distribution amount eligible for a qualified charitable distribution (QCDs) will begin to increase from the current $100,000, as it will now be indexed for inflation. Additionally, a one-time $50,000 charitable distribution will be allowed to fund certain charitable remainder trusts.

The IRA catch-up contribution limit will also be indexed for inflation. For employer plans, all catch-up contributions for individuals earning over $145,000 will be coded as after-tax. Starting in 2025, individuals reaching age 60 will be able to contribute an additional minimum amount to their employer plans: $10,000 for 401(k) and similar plans, and $5,000 for SIMPLE plans.

Individuals with Roth 401(k) accounts will no longer be required to take RMDs. Currently, employer Roth plans require RMDs, which is different from Roth IRAs. Additionally, beginning in 2023 employers will be able to match contributions into Roth accounts. Previously, employer matches were only able to be contributed to a pre-tax account.

Those with 529 plans will be able to roll over up to $35,000 from those plans into a Roth IRA. This is subject to annual IRA contribution limits, and the 529 plan must have been held for at least 15 years.

An emergency savings account, which is not a stand-alone account but rather is linked to an existing employer retirement plan such as a 401(k) or 403(b) plan, can be created by the employer. Only non-highly compensated employees can contribute to such an account and can make penalty-free withdrawals as needed. Contributions are limited to $2,500. Balances beyond the limit are redirected to the employee’s retirement account.

Employees making qualified student loan payments may be eligible to receive a matching contribution from participating employers into an employee retirement account.

Other provisions include a Treasury created retirement account database which will allow individuals to search for old employer sponsored retirement accounts; added exceptions to the 10% early withdrawal penalty from retirement accounts; a reduction in the IRS penalty for RMDs not taken in time (reduced to 25% and 10% from the current 50% if it’s taken within 2 years). Also, low to moderate income individuals can receive a tax credit of $1,000 per person for saving in a retirement account. The tax credit will be contributed directly into that person’s retirement account beginning in 2027. Individuals will be eligible even if they have no income tax obligation.