SECURE 2.0 Act of 2022

The SECURE 2.0 Act of 2022 was signed into law on December 29, 2022, and represents some of the most sweeping retirement plan legislation since the SECURE Act of 2019. Here's a high-level overview of some of the new law's key provisions.

SECURE 2.0 ACT PROVISION	EFFECTIVE DATE	EXPLANATION	NOTES
Start-up Tax Credit *(optional provision)*	Tax years beginning after 2022	Increases this credit to 100 percent of qualified start-up costs for employers with up to 50 employees. An additional credit of up to $1,000 per employee for eligible employer contributions may apply to employers with up to 50 employees, but phases out from 51 to 100 employees.	Business / Employer Provision
Automatic Enrollment & Escalation *(mandatory provision)*	Effective January 1, 2025	Employers will be required to automatically enroll employees in their retirement plan at a pre-tax contribution level of at least 3 percent, but not more than 10 percent of the employee's pay, with a required automatic escalation feature. The deferral must increase by 1% each year, up to 10%, if it starts lower than that. Employees have the option to opt out of participation at any time.	Business / Employer Provision
Expand Catch-up Contributions *(mandatory provision)*	Tax years beginning after December 31, 2024	Increases the annual catch-up contribution amount for participants ages 60-63 to at least $10,000 or 150% of the regular limit on catch-up contributions, if higher.	
Catch-up contributions as Roth *(mandatory provision)*	Taxable years beginning January 1, 2026	For any participant earning over $145,000 (indexed) in FICA wages for the previous tax year with the same employer, their catch-up contributions must be made as Roth contributions.	Business / Employer Provision **NOTE:** Third party payroll providers will need to work directly with businesses to ensure that they are updating their systems accordingly, if you want to continue to allow your highly paid employees to make catch-up contributions. I

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Employer Matching and Nonelective contributions as Roth *(optional provision)*	December 29, 2022	Employees can elect some or all their employer match and nonelective contributions to be Roth. Essentially, your employees can elect to pay the income tax now on the employer contributions they receive instead of when they are distributed. If selected, the Roth employer contributions must be fully vested.	Business / Employer Provision
Required Minimum Distributions (RMDs) *(mandatory provision)*	Tax years beginning after 2022	The requirement to begin taking RMDs will increase from age 72 to age 73 in 2023, and then to age 75 in 2033.	Review your prior year Form(s) 5498 to determine your RMD amounts or contact your investment advisor / retirement plan administrator.
Required Minimum Distribution (RMD) from designated Roth accounts *(mandatory provision)*	Taxable years beginning after December 31, 2023	Roth amounts will no longer be subject to the RMD rules during their lifetime. Prior to Secure 2.0, participants would have to roll their assets to a Roth IRA to avoid the RMD rules.	For 2023, review your prior year Form(s) 5498 to determine your RMD amounts or contact your investment advisor / retirement plan administrator.
RMD penalty reduced *(mandatory provision)*	Taxable years beginning after December 29, 2022	The penalty for failing to take an RMD will decrease from 50% to 25% of the RMD amount not taken, and in some cases can be further reduced to 10%, if corrected timely.	Timely filed is defined as 2 years. A 3-year statute of limitations to assess the penalty is also added.

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RMDs for surviving spouses of deceased participants *(mandatory provision)*	Calendar years beginning after December 31, 2023	Surviving spouses, who are the sole beneficiary of their deceased spouses' retirement account, can elect to delay the RMD payment until the deceased spouse would have reached RMD age had they lived, if later than the surviving spouse's RMD age. RMDs for the surviving spouse will be calculated using the Uniform Lifetime Table, resulting in a lower RMD amount.	Contact your investment advisor or retirement administrator for advice.
Employer Matching for Student Loan Repayments *(optional provision)*	Plan years beginning after December 31, 2023	Beginning in 2024, student loan payments would count as retirement contributions for the purpose of qualifying for matching contributions in a workplace retirement account. In addition, employers will be able to make contributions to their company retirement plan on behalf of employees paying student loans instead of saving for retirement. The matching contributions for student loan payments must vest under the same schedule as other matching contributions. Employees must be eligible for a match in order to receive the student loan matching contribution.	Business / Employer Provision
Penalty-free Emergency Withdrawals *(optional provision)*	Distributions made after December 31, 2023	Plan participants will be able to withdraw up to $1,000 per year from their retirement savings account for emergency expenses without having to pay the 10% tax penalty for early withdrawal if they're under age 59½. The participant has the option to repay the distribution within 3 years. No further emergency distributions may be made during the 3-year repayment period until any amounts previously taken are repaid.	Call our office at 781-231-2580 if you are considering making an emergency withdrawal to discuss the tax implications.

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Emergency savings *(optional provision)*	Plan Years beginning after December 31, 2023	Participants, classified as Non-Highly Compensated Employees, can make Roth contributions to a separate Emergency Savings Account within a retirement plan through automatic payroll deductions. Participants must be allowed to make one withdrawal a month of $2,500.	Business / Employer Provision
Federally declared disaster withdrawal options *(optional provision)*	Effective January 1, 2023 and retroactive to disasters that occurred on or after January 26, 2021.	**Withdrawals** — Participants may withdraw up to $22,000. The distribution is not subject to the 10% penalty on early withdrawals. Participants can repay the withdrawal over a 3-year period. **Loans** — Participants can take the lesser of 100% or $100,000. Repayment can be delayed up to one year.	Call our office at 781-231-2580 if you are considering making this type of plan withdrawal to discuss the tax implications.
Terminal illness withdrawal *(optional provision)*	Distributions made after December 29, 2022	Participants who have been certified by a physician as having an illness of physical condition that can reasonably expect to pass away within 84 months may receive an early terminal illness withdrawal. The distribution is not subject to the 10% penalty on early withdrawals. Participants can repay the withdrawal over a 3-year period.	Call our office at 781-231-2580 if you are considering making this type of plan withdrawal to discuss the tax implications.
Qualified Birth or Adoption distribution (QBAD) *(optional provision)*	Distributions made after December 29, 2022 Effective January 1, 2023	Participants may take a penalty free distribution, up to $5,000, for the expenses related to the birth or adoption of a child. The distribution must be requested within 1 year after the birth or adoption. The SECURE 2.0 Act clarified that participants have 3 years to repay the QBAD distribution These contributions would be limited to $2,500.	Call our office at 781-231-2580 if you are considering making this type of plan withdrawal to discuss the tax implications.

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Long-term care premiums *(optional provision)*	Distributions made after December 29, 2025	Participants may request up to $2,500 a year, penalty free, to pay their premiums for qualified long term care insurance contracts.	Call our office at 781-231-2580 if you are considering making this type of plan withdrawal to discuss the tax implications.
Long-term, part-time (LTPT) expanded eligibility *(mandatory provision)*	The two-year eligibility requirement for LTPT employees is effective for plan years beginning after December 31, 2024 (the original 3-year provision is still in effect through 2024).	Secure 1.0 Act required plans to allow part-time employees who work between 500 and 999 hours for three consecutive years to allow them to make contributions into the retirement plan. Secure 2.0 Act reduced that time period to two years.	Business / Employer Provision
Small balance cash out limit increased *(optional provision)*	Distributions made after December 31, 2023	Terminated participant's vested account balances can be distributed if under $7,000 without the participants consent. This is an increase from $5,000. Participants who previously exceeded the $5,000 threshold but are still under $7,000 will be included under the new cash out provision.	Business / Employer Provision
Auto portability *(optional provision)*	December 29, 2022	Participants may have their balances, up to $7,000, transferred to their new employer plan, which may help foster account consolidation..	It is imperative to approach this provision with careful consideration of data privacy and participant asset security.

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Notices to Eligible, Unenrolled Participants *(optional provision)*	Plan years beginning after December 31, 2022	Plan notices are no longer required for employees who are eligible for the plan but have opted not to enroll. Instead, Employers will only need to provide an annual eligibility notice, letting employees know they are eligible for the plan.	Business / Employer Provision
Top Heavy rules modified *(mandatory provision)*	Plan years beginning after December 31, 2023	Plans that cover otherwise excludable employees (employees who have not attained age 21 or worked a year of service) can perform separate Top-Heavy tests for excludable and non-excludable employees.	Business / Employer Provision
Domestic abuse victim withdrawal *(optional provision)*	Distributions made after December 31, 2023	Participants experiencing domestic violence may take a withdrawal for the lesser of $10,000 or 50% of their account balance. The participant can self-certify and the distribution must be taken within 12 months of the domestic abuse incident. The distribution is not subject to the 10% penalty on early withdrawals. Participants can repay the withdrawal over a 3-year period.	Call our office at 781-231-2580 if you are considering making this type of plan withdrawal to discuss the tax implications.
Self-certification for hardship withdrawal *(optional provision)*	Plan years beginning after December 29, 2022	Participants can self-certify in writing that they are experiencing an immediate and heavy financial need that does not exceed the amount needed.	
Saver's Match *(optional provision)*	Taxable Plan years beginning after December 31, 2026	Low to middle-income employees will be eligible for a Federal matching contribution of up to $2,000 per year that must be deposited in their retirement savings account. The match phases out based on income.	

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Small Incentives *(optional provision)*	Plan years beginning after December 31, 2022.	Employees may now receive small (de minimus) gifts, like gift cards, for attending enrollment meetings. The incentives can be used to encourage eligible, unenrolled employees to participate in the retirement plan. However, plan assets cannot be used to pay for incentives.	Business / Employer Provision

Timeline for provisions starting (**M** = Mandatory; **O** = Optional)

December 29, 2022	2023	2024	2025	2026	2027
O Auto portability **O** Self-certification for hardship withdrawal **O** Terminal illness withdrawal **M** RMD penalty reduced **O** Employer Matching and Nonelective contributions as Roth	**O** Small incentives **O** Eligible, unenrolled participant notice requirements **O** Federally declared disaster withdrawal options **O** Qualified Birth or Adoption distribution (QBAD) repayment **M** RMD age increase	**M** Catch-up contributions as Roth **O** Employer matching contribution for student loan payment **O** Pension-Linked Emergency Savings Accounts **M** Changes to RMDs from Roth assets **O** Small balance cash out limit increased **O** Domestic abuse victim withdrawal **O** Emergency Expense withdrawal **M** Changes to RMDs for surviving spouses **M** Top-Heavy rule modification	**M** Catch-up contributions increase for participants ages 60 – 63 **M** Long-term, Part-time expanded eligibility **M** Automatic Enrollment & Escalation for new plans	**O** Long-term care premiums **M** Annual paper statement required	**O** Saver's match