SECURE ACT 2.0 OVERVIEW

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This overview is intended to be high-level and cover some of the themes, and a few key details, to help in your understanding of the SECURE Act 2.0.

TOPLINE:

2023 being a year for planning and preparation as most of the changes take effect in 2024 and beyond.

Most of the new laws relate to retirement accounts, but let's not confuse that to mean that it only applies to retirees.

It's worth noting that this legislation has some obvious errors and omissions, so we expect changes and clarifications to come this year.

One of the major themes of the SECURE Act 2.0 is that lawmakers are committed to the Roth account type.

The new laws expand the ability of Americans to get money into a Roth style vehicle, both through some updates to how we contribute to our Qualified Plans (401k, etc.) and the creation of new types of Roth retirement accounts (SEP & SIMPLE IRAs). The concerns of recent years that the ability to get money into the tax-free environment of the Roth would be discontinued have been squashed for the time being. It may come as no surprise, as the ability to collect tax now has prevailed.

ADDITIONAL KEY HIGHLIGHTS INCLUDE:

- **Required Minimum Distribution age continues to be pushed back**, and anyone who has not reached that magical age (was 70.5, and currently 72) will not do so in 2023 as there are no new RMDs this year. The current age to start is now 73, and here is a table to show the graduating brackets.

SECURE Act 2.0 Phased-In Timeline For RMD Beginning Ages

Birth Year	Age at Which RMDs Begin
1950 or earlier	72 (70½ for those who turned 70½ prior to 2020)
1951 - 1959	73
1960 or later	75

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- Qualified Charitable Distributions (QCDs) are the ability to move funds from your IRA directly to a charity and avoid income tax on the distribution up to $100k. The tax code allows these types of distributions after age 70.5 and was NOT adjusted with the change in RMD age. **QCDs were actually expanded to include the ability to move funds into a family charitable trust vehicle (subject to limitations) and the $100k cap will be indexed for inflation.**
- **The requirement for Roth participants within Qualified Plans (401ks, etc.) to take RMDs was eliminated.**
- **Changes were made to qualified plan catch up contributions** (ability to defer more compensation if you are over age 50), with new restrictions on both age and account type. These changes are up for debate, and **effective 2024** so we have some time for more guidance.
- **Employees will be able to qualify for employer contributions to a Qualified Plan if they are making student loan payments.** (Employers can choose whether to offer this benefit)
- **Unused balances in 529 accounts can now be moved to a Roth account, subject to limitations.**

Overall, this legislation is a welcome expansion of the beneficial tool of the Roth to more Americans (especially small businesses) and allows a little more flexibility for forced realized income (RMDs). Financial institutions and financial planning software companies are busy with necessary updates like new paperwork and account opening procedures, so there is no immediate call-to-action today. As always, we will overlay the changes with your personal situation to look for new opportunities.