SECURE Act 2.0: An Overview

In the final days of 2022, Congress passed a new set of retirement rules designed to facilitate contribution to retirement plans and access to those funds earmarked for retirement.

The law is called SECURE 2.0, and it is a follow-up to the Setting Every Community Up for Retirement Enhancement (SECURE) Act passed in 2019.

The sweeping legislation has dozens of significant provisions; here are the major provisions of the new law.

New Distribution Rules

Required minimum distribution (RMD) age will rise to 73 years in 2023. By far, one of the most critical changes was increasing the age at which owners of retirement accounts must begin taking RMDs. Further, starting in 2033, RMDs may begin at age 75. If you have already turned 72, you must continue taking distributions. However, if you are turning 72 this year and have already scheduled your withdrawal, we may want to revisit your approach.[1]

Access to funds. Plan participants can use retirement funds in an emergency without penalty or fees. For example, 2024 onward, an employee can take up to $1,000 from a retirement account for personal or family emergencies. Other emergency provisions exist for terminal illnesses and survivors of domestic abuse.[2]

Reduced penalty. Starting in 2023, if you miss an RMD for some reason, the penalty tax drops to 25 percent from 50 percent. If you promptly fix the mistake, the penalty may drop to 10 percent.[3]

New Accumulation Rules

Catch-up contributions. From January 1, 2025, investors aged 60 through 63 years can make annual catch-up contributions of up to $10,000 to workplace retirement plans. The catch-up amount for people aged 50 and older in 2023 is $7,500. However, the law applies certain stipulations to individuals with annual earnings more than $145,000.[4]

Automatic enrollment. In 2025, the Act requires employers to automatically enroll employees into workplace plans. However, employees can choose to opt-out.[5]

Student loan matching. In 2024, companies can match employee student loan payments with retirement contributions. The rule change offers workers an extra incentive to save for retirement while paying off student loans.[6]

Revised Roth Rules

529 to a Roth. Starting in 2024, pending certain conditions, individuals can roll a 529 education savings plan into a Roth individual retirement account (IRA). Therefore, if your child receives a scholarship, goes to a less expensive school, or does not go to school, the money can get repositioned into a retirement account. However, rollovers are subject to the annual Roth IRA contribution limit. Roth IRA distributions must meet a five-year holding requirement and occur after age 59½ to qualify for the tax-free and penalty-free withdrawal of earnings. Tax-free and penalty-free withdrawals are also allowed under certain other circumstances, such as the owner's death. The original Roth IRA owner is not required to take minimum annual withdrawals.[7]

SIMPLE and SEP. 2023 onward, employers can make Roth contributions to savings incentive match plans for employees (SIMPLE) or simplified employee pension (SEP).[8]

Roth 401(k)s and Roth 403(b)s. The new legislation aligns the rules for Roth 401(k)s and Roth 403(b)s with Roth IRA rules. From 2024, the legislation no longer requires minimum distributions from Roth accounts in employer retirement plans.[9]

More Highlights

Support for small businesses. In 2023, the new law will increase the credit to help with the administrative costs of setting up a retirement plan. The credit increases to 100 percent from 50 percent for businesses with less than 50 employees. By boosting the credit, lawmakers hope to remove one of the most significant barriers for small businesses offering a workplace plan.[10]

Qualified charitable donations (QCDs). 2023 onward, QCDs will adjust for inflation. The limit applies on an individual basis; therefore, for a married couple, each person who is 70½ years and older can make a QCD as long as it remains under the limit.[11]

The change in retirement rules does not mean adjusting your current strategy is appropriate. Each of your retirement assets plays a specific role in your overall financial strategy, so a change to one may require changes to another.

Moreover, retirement rules can change without notice, and there is no guarantee that the treatment of specific rules will remain the same. This article intends to give you a broad overview of SECURE 2.0. It is not intended as a substitute for real-life advice. If changes are appropriate, your trusted financial professional can outline an approach and work with your tax and legal professionals, if applicable.

1. Fidelity.com, December 23, 2022
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7. CNBC.com, December 23, 2022
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11. FidelityCharitable.org, December 29, 2022

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