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

The law is called SECURE 2.0, and it's 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, so to help you see what changes may affect you, I broke the major provisions of the new law into four sections.

New Distribution Rules

RMD age will rise to 73 in 2023. By far, one of the most critical changes was increasing the age at which owners of retirement accounts must begin taking required minimum distributions (RMDs). And starting in 2033, RMDs may begin at age 75. If you have already turned 72, you must continue taking distributions. But 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, starting in 2024, an employee can get 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. Also, starting in 2023, if you miss an RMD for some reason, the penalty tax drops to 25% from 50%. If you fix the mistake promptly, the penalty may drop to 10%.[3]

New Accumulation Rules

Catch-Up Contributions. Starting January 1, 2025, investors aged 60 through 63 can make catch-up contributions of up to $10,000 annually 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 earning more than $145,000 annually.[4]

Automatic Enrollment. Beginning in 2025, the Act requires employers to enroll employees into workplace plans automatically. 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 IRA. So if your child gets a scholarship, goes to a less expensive school, or doesn't 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 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. From 2023 onward, employers can make Roth contributions to Savings Incentive Match Plans for Employees or Simplified Employee Pensions.[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 Individual Retirement Account (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% from 50% 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 (QCD). From 2023 onward, QCD donations will adjust for inflation. The limit applies on an individual basis, so for a married couple, each person who is 70½ years old and older can make a QCD as long as it remains under the limit.[11]

Remember that just because retirement rules have changed does not mean that 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 changing another.

Also, 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's not intended as a substitute for real-life advice. If changes are appropriate, we will outline an approach and work with your tax and legal professionals, if applicable.

New Retirement Contribution Limits for 2023

The Internal Revenue Service (IRS) has released new limits for certain retirement accounts for the coming year. After months of high inflation and financial uncertainty, some of these cost-of-living-based adjustments have reached near-record levels.

Keep in mind that this update is for informational purposes only, so please consult with an accounting or tax professional before making any changes to your 2023 tax strategy. You can also contact your financial professional, who may be able to provide you with information about the pending changes.

Individual Retirement Accounts (IRAs)

Traditional IRA contribution limits are up $500 in 2023 to $6,500. Catch-up contributions for those over age 50 remain at $1,000, bringing the total limit to $7,500.

Remember, once you reach age 73, you must begin taking required minimum distributions from a Traditional IRA in most circumstances. Withdrawals are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty.

Roth IRAs

The income phase-out range for Roth IRA contributions increases to $138,000-$153,000 for single filers and heads of household, a $9,000 increase. For married couples filing jointly, phase-out will be $218,000 to $228,000, a $14,000 increase. Married individuals filing separately see their phase-out range remain at $0-10,000.

To qualify for the tax-free and penalty-free withdrawal of earnings, Roth 401(k) distributions must meet a five-year holding requirement and occur after age 59½. Tax-free and penalty-free withdrawal can also be taken under certain other circumstances, such as the owner's death.

Workplace Retirement Accounts

Those with 401(k), 403(b), 457 plans, and similar accounts will see a $2,000 increase for 2023, the limit rising to $22,500. Those aged 50 and older will now have the ability to contribute an extra $7,500, bringing their total limit to $30,000.

Once you reach age 73 you must begin taking required minimum distributions from your 401(k) or other defined-contribution plans in most circumstances. Withdrawals are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty.

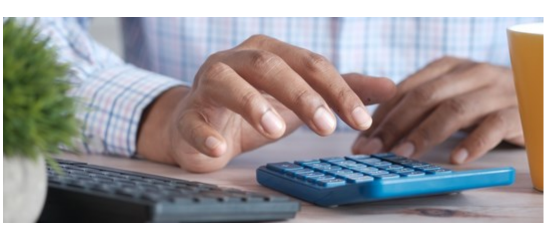
SIMPLE Accounts

A $1,500 increase in limits for 2023 gives individuals contributing to this incentive match plan a $15,500 stop light.

Much like a traditional IRA, once you reach age 73, you must begin taking required minimum distributions from a SIMPLE account in most circumstances. Withdrawals are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty.

As a reminder, this article is for informational purposes only. Consult with an accounting or tax professional before making any changes to your 2023 tax strategy.

Tax Season



Tax season is approaching and being prepared is the best way to make this tax season your easiest yet. We hope to provide you with some important information and tools to help you get ready. As always, meeting with your financial professional early and often will ensure that all your questions are answered.

We know it is important for our clients to get their consolidated 1099 tax forms as soon as possible. Our home office began sending these tax documents weekly starting January 20th. If you haven't received yours, we hope they will all be out by the middle of February.

You can now receive your tax forms to be paperless. On February 18th, all clients who have registered with Account View will have access to their 1099 forms in that system. There are several benefits to you for going paperless with your important documents.

- Get faster access to your documents - including your tax forms
- Peace of mind - eDelivery is more secure
- Convenient access to important documents from one location, anywhere, anytime

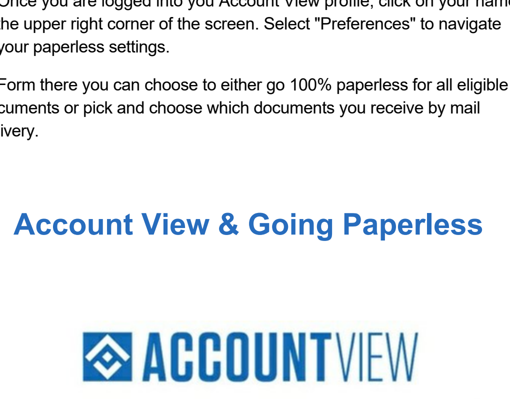
For directions on how to set your tax forms to be paperless, please see the below steps. It takes less than 5 minutes to get set-up through your Account View profile.

1. Login to your account www.myaccountviewonline.com. If you don't have an Account View profile, you can sign up for one at this link.

2. Once you are logged into you Account View profile, click on your name in the upper right corner of the screen. Select "Preferences" to navigate to your paperless settings.

3. Form there you can choose to either go 100% paperless for all eligible documents or pick and choose which documents you receive by mail delivery.

Account View & Going Paperless



Account View is our secure online portal where you have insight into your portfolios, positions, transactions and statements. Additionally, you can download and print any documents from home. You can access your account and view your documents anytime with Account View. If you have never logged in to Account View, we can send you an email link to sign up.

In addition to documents like month-end statements and tax information, Account View enables clients to go paperless for more than 75 additional document types.

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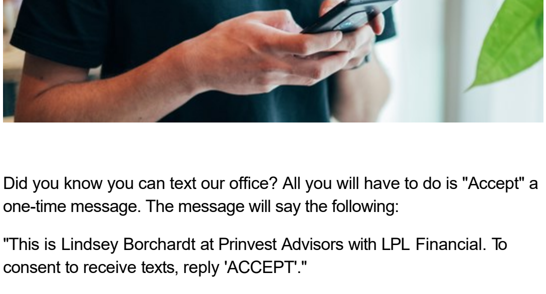
Go Ahead & Text Us



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1. Fidelity.com, December 23, 2022
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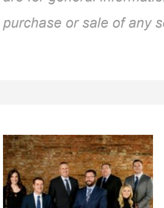

hello@prinvestadvisors.com
5075353542

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