

Need Another Incentive to Save? SECURE 2.0 Act Offers 7.

Maximizing your employer retirement plan benefit may be one of the best ways to help you stay on track to retire when you want, with the money you need to accomplish your goals. If that's not incentive enough, the SECURE 2.0 Act passed in December 2022, offers seven ways to further boost retirement savings in 2023 and beyond, including:

1. Roth matching contributions

Beginning in 2023, employees may elect to receive matching funds as after-tax Roth contributions, provided their plan offers this option. Participants must be 100 percent vested in employer Roth contributions at the time they are contributed to the plan. Employer-matching Roth contributions will be taxable to the employee when they're made. However, contributions and their related earnings are not taxed upon distribution.¹

2. Higher catch-up contribution limits

Contributing the maximum allowed each year to the tax-deferred retirement plan(s) you are eligible to participate in is one of the most effective ways to pursue your retirement income goals. In 2023, participants age 50 and older can contribute an extra \$7,500 per year to their 401(k) or 403(b) accounts. This will increase to \$10,000 per year (indexed for inflation) starting in 2025 for participants age 60 to 63. Also, after 2023, all catch-up contributions for participants earning over \$145,000 annually must be made on a Roth (after-tax) basis.²

3. Incentives for participation

Previously, employers could only provide matching contributions as an incentive for employees to participate in their organization's retirement savings plan. Employers may now offer immediate financial incentives, such as gift cards in nominal amounts, to help encourage participation. (Who says there's no such thing as a free lunch?)³

4. Automatic 401(k) enrollment and escalation

Automatic enrollment and deferral increases can be convenient and effective tools for helping you make the most of your important retirement plan benefits. While many plans already offer these automated options, beginning in 2025, employers who started a new retirement plan after December 29, 2022, will be required to:⁴

- Automatically enroll employees in their retirement plan at a rate of at least 3%, but not more than 10% of eligible wages. (Employees will have the ability to opt out.) Companies in

business for less than three years and employers with 10 or fewer workers are excluded from this requirement.

- Automatically increase contribution percentages by 1% annually, following completion of a year of service, until your contribution is at least 10%, but no more than 15% of your eligible wages. Exceptions apply for governmental and church plans, businesses with 10 or fewer employees, and employers that have been in business for less than three years.

5. Student loan 401(k) match

High student loan payments have long been a barrier for many people seeking to save more for retirement. Beginning 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. Employees will be required to certify the amount of their qualifying student loan payments annually.⁵

6. 529 plan to Roth IRA rollover

Good news for those concerned about unused 529 plan assets! Starting in 2024, pending certain conditions, individual account holders can roll up to a lifetime limit of \$35,000 in 529 education savings plan assets not used for qualified education expenses into a Roth individual retirement (IRA) account for a beneficiary. Rollovers are subject to the annual Roth IRA contribution limit and distributions must meet a five-year holding requirement. Distributions that occur after the beneficiary reaches age 59½ 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 account owner's death. The original Roth IRA owner is not required to take minimum annual withdrawals.⁶

7. Emergency savings accounts

Beginning in 2024, employees will be able to take up to \$1,000 from a retirement account for personal or family emergencies without penalties or fees. Other emergency provisions exist for terminal illnesses and survivors of domestic abuse. Ideally, you want to tap emergency savings held in a liquid savings account before withdrawing investment assets that are meant to support your long-term savings goals. However, if you don't have adequate emergency savings in a bank deposit or similar account, taking an emergency distribution from your retirement account may help you save more in the long run by preventing the need to borrow or incur high-interest credit card debt.⁷

If you have questions about your current strategy as you prepare for the retirement lifestyle you envision, call the office to schedule time to talk.

¹"SECURE Act 2.0: What 401(k) Plan Sponsors Need to Know." Ebglaw.com, 19 JAN 2023, <https://www.ebglaw.com/insights/secure-act-2-0-what-401k-plan-sponsors-need-to-know/>.

²"SECURE 2.0 Act of 2022 Makes Sweeping Changes to Retirement Savings Plans."

ADP.com, 5 JAN 2023, <https://www.adp.com/spark/articles/2023/01/secure-20-act-of-2022-makes-sweeping-changes-to-retirement-savings-plans.aspx>

^{3, 4}Ibid.

⁵"SECURE Act 2.0: An Overview." Cetera.com, <https://www.ceterainvestorcenter.com/resource-center/retirement/secure-act-2-an-overview>. Accessed 5 JUL 2023.

^{6, 7}Ibid.

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