SUMMIT FINANCIAL

PROPOSED LEGISLATION UPDATE

SECURE Act 2.0 Passes US House of Representatives

In 2019, Congress passed the "Setting Every Community Up for Retirement Act" (SECURE Act), with the aim of assisting individuals in saving more for retirement. On March 29, 2022, the US House of Representatives passed the "Securing A Strong Retirement Act of 2022." Dubbed the SECURE Act 2.0, this bill will now make its way to the Senate. While the bill still requires Senate approval, notably, the bill passed the House by a vote of 414-5, indicating bipartisan support for additional legislation to encourage retirement savings. The key provisions of the House bill are outlined below:

- Delayed RMD Beginning Date: The 2019 SECURE Act increased the age to begin taking Required Minimum Distributions from 70½ to 72. SECURE Act 2.0 would increase the age to begin taking RMD's to 73 in 2023 (for those turning 72 after December 31, 2022). The age would be increased again in 2030 to 74, and finally age 75 beginning in 2033.
- Automatic Enrollment in 401(k) / 403(b): Beginning in 2024, the bill would require 401(k) and 403(b) plans to automatically enroll participants in plans once the participant is eligible. The initial enrollment deferral would be no less than 3% and no more than 10% of compensation, increasing by 1% per year until the participant reaches 10%. Participants would have the option to opt out of this automatic election. Small businesses (those with fewer than 10 employees) would be exempted under the bill.
- Catch-Up Contributions: Currently, upon reaching age 50, individuals can make catch-up contributions to their 401(k) of $6,500 per year. SECURE Act 2.0 would allow individuals contributing to their 401(k) to make $10,000 contributions between ages 62 and 64. SIMPLE IRA participants would be able to contribute $5,000 in catch-up contributions between 62 and 64 (up from $3,000). This provision would be implemented effective January 1, 2024. However, effective January 1, 2023, all catch-up contributions to employer plans would receive Roth tax treatment (*i.e.*, taxable in the year of deferral, but tax-free upon distribution from the plan).
- Matching Roth Contributions: Under the proposal, employers would be allowed to match 401(k) contributions via Roth contribution. In other words, the employer match would be included in the employee's W-2 income; however, there would be no tax upon distribution.
- Matching Student Loan Payments: SECURE Act 2.0 would allow employers to consider student loan payments as contributions for purposes of employer match to retirement accounts (401(k), 403(b), or SIMPLE IRA). This proposal would take effect in 2023.
- Roth SEP and SIMPLE Contributions: Individuals contributing to SEP IRAs and SIMPLE IRAs would be allowed to make Roth contributions. This would be effective January 1, 2023.
- National Database for 401(k) Plans: The legislation would create a national online "lost and found" database for retirement plans. The Department of Labor would issue regulations outlining the fiduciary duties of plan administrators in locating missing participants.

As noted above, there appears to be bipartisan support for passage of a SECURE Act 2.0; however, this proposal has not yet been finalized and is subject to change. The Senate is simultaneously considering its own version of the SECURE Act 2.0 (which includes many of the same provisions outlined above), and if this is passed, there would be a reconciliation process whereby the House and Senate bills would be merged. Given the bipartisan support for legislation, individuals should familiarize themselves with these provisions and how their facts and circumstances would be impacted by the proposals. Summit Financial continues to review the proposals and will provide updates as they are available.

Summit Financial, LLC | 4 Campus Dr | Parsippany, NJ 07054 | (973)-285-3600 | summitfinancial.com