

# Secure Act 2.0 For Employers

## Company Retirement Plans



After a lot of excitement, Congress finally passed the Consolidated Appropriations Act, which included several new retirement plan legislations. The SECURE 2.0 and other provisions strive to expand access to retirement plans, increase retirement savings, help Americans preserve income, and streamline retirement plan rules. In this summary, we focus on the most common sections that are most applicable to your leadership position.

## Effective In 2023

### Roth Employer Contributions

Employers may now choose to offer matching or nonelective contributions as Roth contributions.

### Small Incentives For Contributing To A Plan

Applaud good savings behavior by offering small rewards to employees who participate in a 401(k) or 403(b) plan. In the retirement industry, this is casually referred to as the “gift card” section.

### Tax\* Credits

For new retirement plans, companies with fewer than 50 employees can claim up to 100% of the start-up administration costs (max \$5,000). And for the employees making less than \$100,000, employers can claim an additional \$1,000 per person, in which employers could apply the toward a matching contribution (max \$50,000).

\*Please consult our team, legal counsel, and retirement plan service providers for more specific information.

## Effective In 2024

### Roth-Required Catch-Up Contributions

For participants over age 50 looking to max out retirement savings through catch-up contributions, if the employee earns more than \$145,000, those contributions are required to be Roth contributions. If the employee earns less than \$145,000, they can choose either pre-tax or Roth contributions.

Reminder: Plans need to allow for Roth contributions for this to be available.

### Required Minimum Distributions Not Required For Roth 401(k) And 403(b) Accounts

Retirement plan savings in a designated Roth 401(k) and 403(b) accounts are no longer subject to RMD rules. This means employees’ accounts can continue growing tax-free.

### Emergency Withdrawals

An employee may claim a personal emergency and access up to \$1,000 from their retirement plan. They can take one distribution per year with the option to repay it within three years. If repaid and they have another emergency expense, they can take another distribution. If not paid within three years, they can’t take another distribution.

### Matching Student Loans

For employees paying student loans, employers will be able to apply the retirement plan’s matching formula to that repayment amount and deposit the match into the workplace retirement savings plan. This may help employees save for retirement while getting out of debt.

## Force-Out Rollover Limit

Under current law, employers may transfer former employees' retirement accounts from a workplace retirement plan into an IRA if their balances are between \$1,000 and \$5,000. This section increases the upper limit from \$5,000 to \$7,000.

## Automatic Portability

This provision makes it easier to move retirement accounts from a former employer to a new employer.

Automatic portability helps to reduce future missing participant issues, supports employers with clean participant data, and helps employees by consolidating retirement savings accounts.

## "Side Car" Emergency Savings Account

This is a new payroll deduction account for short-term emergencies. Non-highly compensated workers could be automatically enrolled at 3% and can save up to \$2,500 in this Roth account. They can access this account tax- and penalty-free

## Effective In 2025

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### Improving Retirement Plan Access For Part-Time Workers

Long-term, part-time employees who meet the eligibility requirements will be allowed to save through the company's retirement plan. For part-time employees, it's important to have a good time-tracking system because eligibility rules are retroactive.

The stated eligibility rules are for employees who work two consecutive 12-month periods during each of which they have at least 500 hours of service. Employers are not required to match contributions. Effective January 1, 2025.

### Automatic Enrollment And Escalation | Retirement Savings On Autopilot

All new 401(k) and 403(b) plans are required to automatically enroll participants and auto-escalate savings. The employer will set the introductory deferral amount between 3 – 10% and the deferral amount increases by 1% up to 10 – 15% retirement savings per year.

### Higher Catch-Ups For 60 To 63-Year-Olds

Employees between 60 – 63 years old who want to maximize retirement savings will be allowed to increase their catch-up contribution to \$10,000 in 401(k), 403(b), and governmental plans. Those who make more than \$145,000 must make Roth catch-up contributions.

## Effective In 2027

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### Enhance And Promote Saver's Match

As part of the mission of SECURE 2.0 Act, the Saver's Match sections increase access to savings opportunities and increase retirement savings. The Saver's Match is designed to help low-to-moderate income workers save more for retirement through a Treasury matching

program. To qualify for the match, employees must be at least 18 years old and make up to \$41,000 but not more than \$71,000. Treasury to match 50% of their retirement plan contribution up to \$2,000. Stated another way, the Treasury will put \$1,000 of "free" money into that participant's account.

## Other Important Sections

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### Age Increases For Required Minimum Distributions

People can wait until age 73 (previously 72) to take a mandatory retirement savings withdrawal. Starting 2033, the RMD age increases to 75. Effective immediately.

### Military Spouses

Employers can claim up to a \$500 retirement plan tax credit if they allow employees who are spouses of uniformed services to save through the company's retirement plan. Effective immediately.

### Starter 401(k) Plans

If an employer does not offer a retirement plan, there is a new barebones option. The plan only allows employee deferrals. Eligible employees are auto-enrolled and the maximum savings amount is \$6,000. This is similar to State IRA plans. Effective 2024.

### Required Minimum Distribution Excise Tax Reduction

Missing an RMD can cost older people greatly. New provisions reduce this pricey penalty from 50% to 25% and if the failure is corrected in a timely manner, the penalty reduces to 10%. Effective immediately.

### Retirement Account Lost And Found

A new national online searchable database to locate retirement accounts. Effective 2024 (estimated).

### Expand Self-Correction Program

Allows for easier plan corrections of loans through the Employee Plans Compliance Resolution System (EPCRS). Effective immediately.

### Self-Certify For Hardship Distribution

Employees may self-certify they are going through a hardship and need access to their retirement funds. Effective immediately.

### Penalty-free Withdrawals For Domestic Abuse Survivors

Domestic abuse survivors may withdraw the lesser of \$10,000 or 50% of their retirement accounts. Effective 2024.

### Penalty-free Withdrawals For Federally Declared Disasters

Permanent rules go into effect that allow up to \$22,000 to be distributed from a retirement plan or IRA for affected individuals, not subject to the 10% early distribution tax penalty. Retroactively effective to January 26, 2021.

### Cash Balance Calculations

New rules clarify and cap the maximum interest rate at 6%, providing larger pay credits for older, longer service workers. Effective immediately.

Please contact your First Business Bank representative  
with any questions that may apply to your plan.

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