CLIENT ALERT

Schneider Smeltz Spieth Bell LLP

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SECURE 2.0

THE ENHANCING AMERICAN RETIREMENT NOW ACT

As you may know, Congress recently enacted the Enhancing American Retirement Now Act (aka The EARN Act aka SECURE 2.0)

The new Act contains various retirement plan changes, a veritable grab-bag of tightly focused provisions. Broadly, the new Act contains the following provisions of particular interest:

- **Delay of the Required Beginning Date for Retirees**
  Prior law generally required retirees to take mandatory withdrawals ("Required Minimum Distributions," or "RMDs") from their retirement accounts beginning at age 72. Starting in 2023, the age is increased to 73, and is scheduled to increase again to age 75, starting in 2033.

- **Removes RMDs for Employer-Sponsored Roth Plans**
  Prior law maintained RMDs on employer-sponsored Roth Plans (like Roth 401k plans), though retirees could avoid taking the RMDs by rolling over assets into Roth IRAs. Starting in 2024, the lifetime RMDs will be removed, bringing employer-sponsored Roth Plans into parity with Roth IRAs.

- **529 (College Savings Plans) to Roth Rollover**
  Prior law provided no way to rollover unused 529 funds to retirement accounts. Starting in 2024, with a variety of tight limitations, older 529 accounts (maintained for at least 15 years) can be rolled over (direct trustee-to-trustee transfer) to a Roth IRA, limited to $6,000 annually, inflation-adjusted, with an aggregate lifetime limit of $35,000.

- **Changing Catch-Up Limitations to IRAs**
  Prior law allowed taxpayers over 50 to make additional contributions of up to $1,000 annually to their IRAs and Roth IRAs. Starting in 2024, the catch-up amount will be adjusted for inflation.

- **Changing Catch-Up Limitations to Retirement Plans**
  Prior law allowed employees over 50 to make additional contributions of up to $7,500 annually to their 401(k), 403(b), and 457(b) plans. Starting in 2025, specific to those aged 60-63, (1) all catch-up contributions will be treated as Roth contributions, and (2) the catch-up limits will be increased to the greater of $10,000 for 150% of the "normal" catch-up limit, inflation adjusted.

- **Employer Matching Available for Student Loan Payments**
  Prior law allowed employers to match some employee contributions to their retirement plans. Starting in 2024, employers will be permitted, through changes to the retirement plans, to treat an employee's student loan payments as contributions for purposes of matching contributions.

- **Roth Employer Match**
  Prior law allowed employers to offer certain pre-tax matching contributions to retirement plans. Starting in 2023, employers may choose to modify their retirement plans and allow matching to Roth plans.

- **Reduction of Penalty Tax For Failed RMDs**
  Prior law levied an excise tax (essentially a penalty tax, in addition to regular income taxes) for failure to take RMDs from retirement accounts and inherited retirement accounts. Starting in 2023, the additional tax is reduced from 50% to 25%, or 10% so long as the tax is reported early enough.

- **Terminal Illness Exception for Early Withdrawal Penalty**
  Prior law contained no exception allowing for penalty free early (before age 59½) withdrawals from retirement assets. Early withdrawals were generally subject to a 10% penalty tax, in addition to regular incomes taxes. Starting in 2023, a terminally ill person (certified as expected to live less than 7 years) may withdraw retirement assets without a penalty tax.

- **RMD Barrier Removed for Life Annuities**
  Prior law limited the use of annuities for some older taxpayers. Starting in 2023, the new law allows for certain increasing annuity payments and lump-sum payments.

- **Saver's Matching by the Government**
  Starting in 2027, certain lower income taxpayers will be eligible for up to a 50% government match of contributions to retirement accounts, capped at $2,000.

There are various other narrower provisions, particularly those that apply to employer sponsored retirement plan administrators, non-profits and educators, disaster relief, and other technical or corner cases. This brief article is designed to focus on broadly applicable provisions that will most likely affect you or your clients.

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