

HOW THE SECURE ACT 2.0 CHANGES RETIREMENT PLANS

The SECURE Act 2.0 will reshape new retirement plans and affect existing ones as well. Here's a look at some of the major changes in the law — and what you need to do as a plan sponsor as the changes take effect.

The SECURE Act 2.0 changed many rules regarding new retirement plans starting in 2025, as well as changes to existing plans. Plan sponsors should take note in several key areas.

EMPLOYEES NEED TO SAVE MORE

Percentage of workers that agree with the statement

“ I don't have enough income to save for retirement ”



Starting in 2025, **new employer-sponsored 401(k) and 403(b) plans** must automatically enroll employees at a **minimum of 3% of earnings**, with contributions automatically escalated **1% annually to at least 10%** with a **maximum of 15%**.²

22%

STRONGLY AGREE

51%

AGREE

29%¹

SOMEWHAT AGREE

EMERGENCY SAVINGS TO THE RESCUE

In addition to **removing the 10% penalty for early withdrawals (up to \$1,000)**, employers can automatically enroll employees in an emergency savings account with the following features:



The account is linked to a retirement account with an automatic employee contributions of **3% or less**.



Total account balance is limited to **\$2,500**.



When leaving a job **employees can cash out the account or roll it over into a retirement account**.³

ROTH REDEFINED

Plan sponsors may allow employees to **elect employer contributions to their Roth 401(k) accounts, once they are 100% vested** in the plan.⁴



In addition, **SECURE Act 2.0 removes the required mandatory distribution (RMD) requirement** for Roth 401(k) and 403(b) accounts.

SMALL BUSINESS TAX CREDIT INCREASED



Employers of up to 50 employees will see their startup credit increase from **50% to 100%**.



Employers of 50 to 100 employees will have a **startup credit on a sliding scale**.



The **tax credit is up to \$5,000**; however, **small businesses will also receive a \$1,000 annual tax credit** for employer contributions.⁵

MANDATORY DISTRIBUTION CHANGES

The SECURE Act 2.0 **raises the minimum age for RMD from 72 to 73 years old**.

Higher minimum RMD ages will be phased in over time, with a **minimum RMD age of 75 by 2025**.⁶

WHAT YOU CAN DO

1

Take advantage of tax credits

SECURE Act 2.0's 100% small business tax credit may allow your business to offer a key benefit that was once beyond your reach.

2

Spread the word

It's incumbent for organizations to inform plan participants of the changes, making retirement plans more attractive in employees' minds and helping improve plan uptake.

3

Know the details

There are about 90 provisions in SECURE Act 2.0, many of which will affect how your retirement plans are set up and administered. Consult your plan advisor to help determine your next steps.

¹ Transamerica Center for Retirement Studies, *22nd Annual Transamerica Retirement Survey of Workers*, October 2022.

² Morgan Lewis, "[Secure Act 2.0 of 2022: Enhanced Retirement Plan Participation Provisions](#)," January 18, 2023.

³ Forbes Advisor, "[How Secure Act 2.0 Changes Retirement](#)," March 13, 2023.

⁴ Epstein Becker Green, "[SECURE Act 2.0: What 401\(k\) Plan Sponsors Need to Know](#)," January 13, 2023.

⁵ CNBC, "[There may never be a better time to create a retirement plan](#)," May 15, 2023.

⁶ Foley, "[Diving Into SECURE 2.0: Changes to the Minimum Required Distribution Rules](#)," February 15, 2023.

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