

CHECKLIST

SECURE Act 2.0: What You Need to Know and Do About SECURE Act 2.0

SECURE 2.0 represents a major overhaul of 401(k), 403(b) and other defined contribution retirement plans with more than 90 provisions. Here are the essential provisions you need to know about and tips for implementation in your organization.

1. Auto enrollment and auto escalation

What it is: Starting in 2025, new retirement plans will be required to automatically enroll employees at 3% of salary. Employee contributions will automatically increase 1% each year until reaching 10%, but no more than 15%.

What you can do:

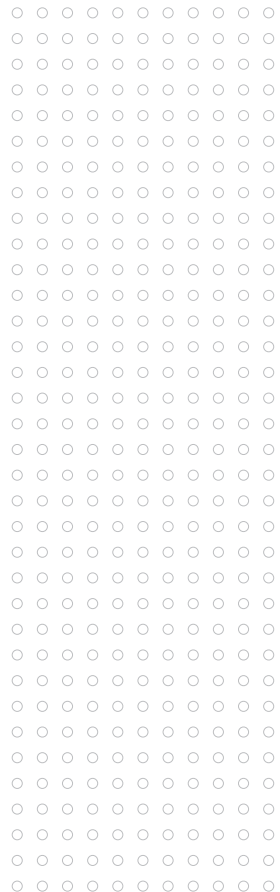
- As you introduce a new retirement plan, make sure all employees are aware of auto enrollment and escalation, as well as the ability to opt-out of either.
- Model the costs of these requirements on both employee salaries and on the plan sponsor, especially if there is a company match.
- Consult your plan advisor to understand the implications on your business.

2. Changes in Roth accounts

What it is: Once fully vested in the plan, participants in new retirement plans can elect employer contributions to their Roth accounts (if the plan sponsor allows). In addition, catch-up contributions for employees making more than \$145,000 annually must be made to a Roth account, whether it's a new or existing plan.

What you can do:

- Matches to a Roth account can be particularly appealing to younger workers, who might be in a lower tax bracket than older counterparts. Encourage them to take advantage.
- Establish a clear communications plan so that plan participants and high-income employees know about the changes.
- The change in catch-up contributions for high-income employees may put a strain on coordinating payroll and retirement systems. Work with vendors to ensure a smooth transition.



3. Student loan payment matching

What it is: Starting in 2024, payments to qualifying student loans can now be treated as 401(k) or 403(b) deferrals, making them eligible for a matching contribution to an employee's retirement fund. This lets student debt-strapped employees build retirement savings.

What you can do:

- Student loan payment matches are not mandated. Determine if this benefit makes sense — whether you have many employees with student loans or you are hoping to attract college grads as part of your recruiting strategy.
- Determine with your plan administrators and recordkeepers how to handle the technical issues involved with student loan payment matching.
- If you are offering a new retirement plan, consult with your plan advisors about whether this benefit makes sense for your business and how to implement it.

4. Payroll tax credit for small-business new plans increased

What it is: For the first two years of a new retirement plan, organizations of up to 50 employees will see their startup tax credit increase from 50% to 100%. The credit will average 50% for the following three years. Employers of 50 to 100 workers will have a startup tax credit of 50%, reduced on a sliding scale based on the number of employees.

What you can do:

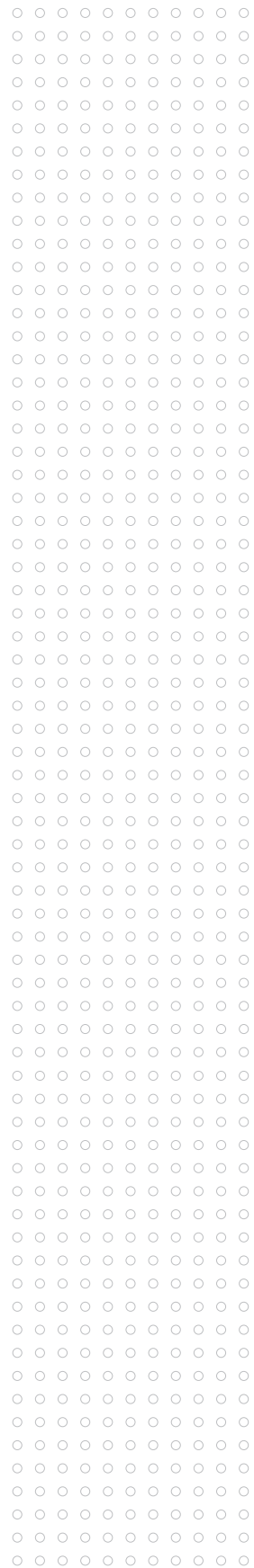
- Get in touch with your company's financial advisors, accountants and plan consultants to determine the actual cost of starting a new plan.
- Through a plan consultant, benchmark your business against competitors and see what plans they're currently offering.
- Once you've established the above, get your business ready to start offering a retirement plan in 2025.

5. New options for emergency savings options

What it is: Employers have the option to offer an emergency savings account, automatically enrolling workers with an employee contribution of 3% or less. The accounts have a limit of \$2,500 but can be cashed out or rolled over into a retirement account when an employee leaves the company.

What you can do:

- Get employees' input about their desire for an emergency savings account, as some may not want the option.
- Promote the benefits of the emergency savings account, which can benefit younger and lower-income employees' financial security.
- Also note that SECURE Act 2.0 allows the first four withdrawals in a year to be tax- and penalty-free.

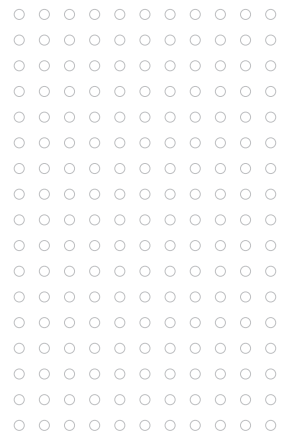


6. New mandatory age for required minimum distributions (RMDs)

What it is: The age at which plan participants must start taking their RMDs has been raised from 72 to 73. The minimum age will be increased to 75 by 2033.

What you can do:

- Educate employees, especially older ones, about the change, as they may want to re-evaluate their income strategies for retirement.
- Confer with plan administrators and advisors to determine how the higher RMD minimum will affect recordkeeping and distribution systems.
- Model how the higher RMD may change the pace of retirements within your organization.



Learn More

To learn how SECURE 2.0 may help improve your employee benefits profile and retirement plan features, please contact your HUB financial advisor today.

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