

New Retirement Plan Legislation: SECURE 2.0

SECURE 2.0 is a piece of retirement plan legislation that was passed in December 2022. New provisions go into effect in 2024 and more are on the horizon for 2025 and beyond. Use this chart to navigate the impact it could have on your plan and your employees.

Provisions Currently Effective

	Provision	Impact on Plans	Requirement	Effective
Distributions	Required Minimum Distribution (RMD) Age Increase	The age at which terminated employees and 5%+ owners must start taking RMDs is now 73; and will increase to age 75 in 2033.	Mandatory	2023
	RMD Failure Penalty Decrease	The penalty for failure to take RMDs is reduced from 50% to 25% (reduced further to 10% if corrected in a timely manner).	Mandatory	
	Self-Certified Financial Hardships	In some circumstances employees can self-certify their hardship distribution.	Optional	
	New Exclusions to the 10% Early Withdrawal Penalty for Distributions	Qualified federally declared disaster: Up to \$22,000 in distributions can be taxed as gross income over 3 years without 10% penalty.	Optional	
		Qualified births or adoptions: The re-contribution period now must take place within 3 years of the distribution.	Optional	
		Terminal illness: No 10% penalty if the distribution is to a terminally ill person.	Optional	
	Roth RMDs	Minimum distributions (RMDs) are no longer required for Roth 401(k) and 403(b) plans.	Mandatory	2024
	Withdrawals for Emergency Expenses	Participants who need to pay for emergency expenses are exempt from the usual 10% penalty.	Optional	
	Force-Out Limit Increase	You can now transfer accounts of former employees with up to \$7,000 in assets to an IRA without consent, up from \$5,000.	Optional	
Eligible Distributions for Domestic Violence Victims	Victims of domestic abuse can self-certify their status and request a distribution without penalty for up to the lesser of \$10,000 or 50% of the account value.	Optional		
Plan Design	Long-Term Part-Time Employee Plan Eligibility	Employees who have worked at your company for at least 1,000 hours over the course of one year or at least 500 hours over two consecutive years are eligible to participate in your retirement plan.	Mandatory	2024
	Student Loan Payments	You have the option to make a retirement plan match to offset student loan payments.	Optional	
	In-Plan Emergency Savings Accounts (PLESA)	You can offer non-highly compensated employees the opportunity to contribute to an In-Plan Emergency Savings Account (PLESA).	Optional	

*The availability of optional provisions may vary based on Recordkeeper.

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Plan Administration	Employer Contributions Can Now Be Roth	You can now offer plan participants the option to receive their employer contribution on a Roth (after-tax) basis.	Optional	2023
	Ability To Offer Small Financial Incentives	You can now offer a small financial incentive, such as a low-dollar gift card, to encourage employees to enroll in the plan. The incentive can't be drawn from plan assets.	Optional	
	Start-Up Plan Tax Credit Increase	If you start a plan, your business may qualify for a tax credit to offset up to 100% of plan costs for the first 3 years.	N/A	
Testing and Reporting	Top-Heavy Rule Modifications	You can perform your top-heavy test on excludable and non-excludable employees separately.	Mandatory	2024
Start-Up Plans	Starter 401(k) Plans	If you don't currently offer a retirement plan, this gives you the option to offer a starter 401(k) plan, which is a hybrid 401(k)/IRA with an annual contribution limit of \$6,000 and required auto-enrollment.	Optional	2024
	Employers Can Replace SIMPLE IRAs With Safe Harbor 401(k) Plans Inter-Year	If you currently have a SIMPLE IRA, this provision allows you to upgrade to a 401(k) anytime during the year, rather than being stuck until the end of the year.	Optional	
Non-Plan Amendment Provisions	Retirement Savings Lost and Found	The DOL and IRS are partnering to create a national online database to help Americans find lost retirement plans.	N/A	2024
	Expansion of EPCRS	The Employee Plans Compliance Resolution System (EPCRS) has expanded to allow more errors to be self-corrected and to exempt some failures from penalty.	N/A	
	Permanent Safe Harbor Corrections	Inadvertent payroll errors resulting from automatic enrollment and automatic escalation may be corrected without penalty within 9½ months of plan year-end.	N/A	

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Provisions Effective 2025+

	Provision	Impact on Plans	Requirement	Effective
Start-Up Plans	Expanded Automatic Enrollment	If you start a new 401(k) or 403(b) plan and have 10+ employees, you must include automatic enrollment in your plan.	Mandatory	2025
Contributions	Increase in Age 50 Catch-Up Contribution Limit for Participants Ages 60 to 63	Participants between the ages of 60 and 63 can make higher catch-up contributions. The limit will be \$10,000 (\$5,000 for SIMPLE plans) or 150% of the regular limit, whichever is greater.	Mandatory	2025
	Age 50 Roth Catch-Up Contributions for HCEs	Catch-up contributions for those earning more than \$145,000 must be made into a Roth account.	Mandatory	2026
Distributions	Change to Requirements for Health Insurance Premium Payments	There will be no penalty for using retirement plan withdrawals to make qualifying long-term care insurance premium payments.	Mandatory	2026
Plan Design	Savers Match Accounts	Rather than a cash tax refund payment, individuals who are eligible to receive a tax credit for retirement plan contributions will now receive a federal matching contribution to their retirement plan account.	Mandatory	2027



Questions about how SECURE 2.0 impacts you or your employees?

[Click here](#) to contact us or call us at 888-687-7605.