

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

RULES

Let's look at eight provisions outlined in the Senate Finance Committee's breakdown of Secure 2.0 Act.

Jan. 10, 2023



By Giavanni Alves, Staten Island Advance, N.Y. (TNS)

The federal government is enacting several new retirement policies increasing access to retirement plans and limiting costs to withdraw funds.

The Secure 2.0 Act of 2022, which was included in the \$1.7 trillion omnibus spending

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

This provision requires 401(k) and 403(b) plans to automatically enroll participants in their respective plans upon becoming eligible. Employees can opt out of the plan if they wish.

The initial automatic enrollment amount is at minimum 3% and no more than 10%. Each following year, the amount is increased until it reaches at least 10% but no more than 15%.

All current 401(k) and 403(b) plans are grandfathered in. The provision is effective for plan years beginning after Dec. 31, 2024.

2. Contributing to student loan payments

To offset difficulties saving for retirement due to student loan debt, employees can receive matching contributions from their employers under a 401(k) plan, 403(b) plan or SIMPLE IRA with respect to “qualified student loan payments.”

The provision is effective for contributions made for plan years beginning after Dec. 31, 2023.

3. Saver's Match

Under current law, eligible low-income earners who make contributions to retirement plans (i.e., ABLE accounts, employer retirement plans and individual retirement accounts) can receive a nonrefundable tax credit paid in cash as a tax refund. The new policy, which is effective for taxable years beginning after Dec. 31, 2026, replaces the credit with a federal matching contribution to be deposited in the taxpayer's retirement plan.

The match is 50% of retirement account or plan contributions, up to \$2,000 per

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

retirement plans at age 72. The new required minimum distribution age is 73 as of Jan. 1, 2023 and will increase to 75 on Jan. 1, 2033.

5. Higher catch-up limit for ages 60-63

Under current law, employees who have attained age 50 are permitted to make catch-up contributions under a retirement plan in excess of the otherwise applicable limits. For 2021 the limit was \$6,500, except for the \$3,000 limit for SIMPLE plans.

This provision, which is effective for taxable years beginning after Dec. 31, 2024, increases the limit to the greater of \$10,000 or 50% more than the regular catch-up amount in 2025 for individuals who are between 60 and 63 years old.

6. Withdrawals for certain emergency expenses

Typically, early distributions from tax-preferred retirement accounts such as 401(k) plans and IRAs are subject to an additional 10% tax. Under the new provision, employees can withdraw emergency expenses from their accounts for “unforeseeable or immediate financial needs relating to personal or family emergency expenses.”

Account holders are limited to one distribution of up to \$1,000 per year with the option to repay it within three years. If they do not repay within three years, they must wait until the end of the repayment period to make another withdrawal.

7. Improving retirement benefits for part-time workers

Under current law, employers are required to allow long-term, part-time workers—those who have completed one year of service with 1,000 hours or three consecutive

years of at least 500 hours of service each year—to participate in the employers’

Hello. It looks like you’re using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Labor will create a national online searchable “lost and found” database for Americans’ retirement plans, allowing those who may have lost track of their pension or other employer retirement plan to search for the contact information of their plan administrator. The database shall be created no later than two years after the legislation’s enactment.

(c)2023 Staten Island Advance, N.Y. Visit Staten Island Advance, N.Y. at www.silive.com. Distributed by Tribune Content Agency LLC.

Benefits • Payroll • Small Business

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved