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the SECURE Act 2.0.

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By Jessi Chadd, CFP, The Kansas City Star (TNS)

On Dec. 23, 2022, Congress passed the much-anticipated SECURE Act 2.0 as a follow-up to the Setting Every Community Up for Retirement Enhancement Act (SECURE) that was passed in December 2019.

Below you will find a summary of the most significant changes. Please note that

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- If your birth year was between 1951-1959, you must begin your RMD at age 73.
- If your birth year was 1960 or later, your RMD will begin at age 75.

Note: If you were set to begin your RMDs in 2023, you get a one-year delay and will begin in 2024. Also, the age to make a qualified charitable distribution (giving to charity directly from an IRA) stays the same at age 70 1/2.

Catch up contributions on 401(k)s, 403(b)s, and 457 must be to a Roth for high-income earners. Starting in 2024, if you have wages in excess of $145,000 in the previous calendar year, any catch-up contributions to your employer retirement savings account will be classified as Roth contributions. This means these catch-up contributions are not pre-tax savings on your income.

It’s not all bad news, though. Roth contributions grow tax free, and thanks to the SECURE Act 2.0, Roth contributions inside an employer retirement savings account no longer have an RMD.

What to do now

Check with your employer if you earn more than $145,000 per year to make sure they have the Roth catch-up option available. If they do not have a Roth option available, you will not be able to make catch-up contributions. Not all plans will have the Roth option right now but there is a year to get things in order.

Move unused 529 College Savings Plan dollars to a Roth IRA—effective 2024: This 529 change is getting a lot of attention. While we see this as a potential planning opportunity, it comes with quite a few restrictions that need to be considered.

- Roth IRAs receiving funds from a 529 must be in the name of the beneficiary of the 529 plan.
- The 529 plan must have been in effect for 15 years or longer.

- Any contributions made in the last five years and earnings on those contributions

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Inheriting spouse’s IRA/catch-up contributions

The surviving spouse beneficiary changes are effective starting 2024. The SECURE Act 2.0 allows for surviving spouses to be treated the same as the deceased spouse when it comes to taking RMDs. This will matter the most for surviving spouses who are older than the deceased spouse as it will potentially allow for a delay in having to take RMDs.

IRA catch-up contributions will be indexed for inflation. The catch-up contributions allow people age 50 and older to contribute an amount above the standard contribution limits. The catch-up contribution limit has remained at $1,000 for 15 years. Starting in 2024, it will be adjusted for inflation, increasing in $100 increments.

Starting in 2025, individuals ages 60, 61, 62, and 63 will have a higher catch-up contribution limit than others. This limit will be $10,000 or 150%, whichever is greater, of the regular catch-up contribution amount.

With a 2023 catch-up contribution limit of $7,500, this would make the catch-up contribution for 60- to-63-year-olds $11,250 if the change was in effect this year. And yes, if you have been paying attention, these catch-up contributions must be in Roth dollars. Why those ages but not age 64 or above? Your guess is as good as ours.

ABOUT THE AUTHOR

Jessi Chadd is a Certified Financial Planner and a member of Financial Planning Association of Greater Kansas City. She is a principal and chief wealth officer with Aspyre Wealth Partners in Overland Park, KS. Jessi finds it rewarding to walk alongside others as they manage the transitions that come with living a full life.

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