

On Dec. 29, 2022, President Biden signed a \$1.7 trillion federal omnibus spending bill into law for 2023. Included in the law is the SECURE Act 2.0, a follow-up to a 2019 law designed to enhance retirement savings and planning. The act gives Americans long-term and short-term flexibility on retirement savings and withdrawals through new savings options, higher contribution limits, and delayed RMDs, among other provisions. It also contains key changes to expand employee participation in retirement plans.

To help you understand how the SECURE Act 2.0 affects you, we have outlined what we believe are the most significant changes to be aware of:

**Expansion of Automatic Enrollment**

Requires employees to be automatically enrolled in 401(k) plans once eligible. This change becomes effective beginning in 2025.

**Increases Ages for Required Minimum Distributions (RMDs) from Retirement Plans**

- For individuals who turn 72 after 12/31/2022, their RMD age will be delayed to 73.
- For individuals who turn 74 after 12/31/2032, their RMD age will be delayed to 75.

**Indexing IRA Catch-Up Contribution Limits**

- Previous rules allowed participants ages 50 and older to contribute an additional \$1,000 into their IRA. Beginning in 2024, those contribution limits will be indexed for inflation.

**Increased Catch-Up Contribution Limits for Individuals Ages 60-63**

- Individuals ages 60-63 enrolled in a 401(k) or 403(b) plan will now be able to contribute the greater of \$10,000 or 50% more than the 2025 catch-up amount.
- Individuals ages 60-63 enrolled in an IRA plan will now be able to contribute the greater of \$5,000 or 50% more than the 2025 catch-up amount.

- The increased contribution limits will be indexed for inflation beginning in 2025, which is also the effective date for this change.

### **529 Account Funds Can Be Rolled into Roth IRAs**

- Beginning in 2024, funds from a 529 college savings account can be transferred to a Roth IRA if it meets the following restrictions:
  - 529 account must be open for at least 15 years
  - Contributions within the last five years cannot be rolled over
  - Maximum lifetime eligible rollover amount is \$35,000 per beneficiary
  - Rollover amount is subject to annual Roth IRA contribution limits
  - The beneficiary is subject to the same earned income requirement that applies to all IRA contributions

### **Catch-Up Contributions for Highly Compensated Employees must be Roth**

- Beginning in 2024, retirement plan participants earning wages of \$145,000 or more (indexed for inflation) will no longer qualify for a pre-tax catch-up contribution.

Instead, all catch-up contributions for these individuals must be contributed to the Roth portion of their plan.

### **Employer Roth Matching**

- Effective immediately, retirement plan participants can now receive employer matching into the Roth portions of their plans. Roth matches are treated as taxable income to the employee. However, future withdrawals from the plan would be tax-free.

### **Employers can Match Student Loan Payments to a Retirement Account**

- Beginning in 2024, employers are not required but allowed to treat employee student loan payments as elective deferrals eligible for a matching contribution.

### **Qualified Charitable Distributions (QCDs) Indexed for Inflation**

- Effective immediately, the limit for maximum QCDs from IRA accounts will be indexed for inflation.

DCM is identifying how these changes can be utilized to better serve our clients. If you have questions about the Secure Act 2.0, please reach out to a DCM Advisor. You can call us at (812) 421-3211 or email us at [dcm@dcmol.com](mailto:dcm@dcmol.com). We are committed to providing you with relevant information as it relates to your investment and financial planning needs.

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