## It’s Here: What You Need to Know About SECURE 2.0

On December 29, 2022, President Biden signed into law the **Consolidated Appropriations Act, 2023,** an omnibus spending bill that includes the SECURE 2.0 measure (a.k.a. the Securing a Strong Retirement Act 2.0).

Broadly, SECURE 2.0 is intended to make retirement saving more straightforward and accessible to a wider range of people. As such, it encompasses many aspects of financial planning and retirement saving. It’s important to confer with a tax professional before executing any strategy based on this new legislation.

SECURE 2.0 includes a host of provisions affecting the rules for qualified retirement plans (401(k), 403(b), etc.) and their administration. Many of the provisions that make up SECURE 2.0 are designed to allow individuals more time for tax- deferred saving and savings growth before requiring distributions and to incentivize and promote retirement saving.

- Delays the age of RMDs from age 72 to 73, with an eventual increase to age 75 by 2033. More important, individuals who turned 72 in 2022 should not be affected by this new rule, and the imposition of the new RMD age does not seem to afford the individual the option of delaying their first RMD beyond April 1, 2023.)

- Allows employers to provide matching contributions to an employer sponsored retirement plan equal to an employee’s qualified student loan payments

- Authorizes taxpayers to create SIMPLE Roth IRAs and SEP Roth IRAs
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- Permits qualified charitable distributions (QCDs) from an IRA to be made to a split-interest entity (such as a charitable remainder trust or charitable gift annuity) up to a lifetime limit of $50,000

- Indexes IRA catch-up contributions for inflation year-over-year

- Eliminates RMDs for Roth accounts in employer sponsored plans

- Indexes QCDs (currently limited to $100,000 per individual) for inflation year-over-year

- Permits unused funds remaining in 529 college savings plans to be rolled into Roth IRAs (subject to restrictions, including a lifetime rollover limit of $35,000 and a 15-year minimum on account age)

- Introduces new post-death beneficiary withdrawal options for surviving spouses of retirement plan owners by permitting the surviving spouse to elect to be treated as if they were the deceased spouse

- Adds numerous exceptions to the 10 percent penalty for early withdrawal from a retirement account (exceptions include withdrawals for domestic violence victims and for qualified long-term-Care expenses), with each carrying varying limits on withdrawal timing and amount

- Eases limitations on the use of a qualified longevity annuity contract (QLAC) by removing the 25 percent account balance rule and increasing the maximum contribution amount to $200,000
- Makes 529 ABLE accounts accessible to more blind and disabled individuals by raising the age From which disability must be present from 26 years old to 46 years old

It’s important to confer with a tax professional before executing any strategy based on this new legislation. As more information becomes available regarding the interpretation of SECURE 2.0, it’s important to continue to review all aspects of your financial plan and tax strategies to ensure that you understand how you and your family have been affected. Be sure to contact your tax professional for help navigating your situation.

*Information provided in part by Tim Shean of Potomac Financial Private Client Group.*