



“SECUREing” America’s Retirement System

On March 29, 2022, in a bipartisan 414-5 vote the House passed legislation known as SECURE 2.0. The bill intends to build upon the original SECURE legislation passed in 2019. The bill aims at increasing retirement savings and expanding availability and participation in employer sponsored retirement plans. It’s likely that Congress will pass, and the President will approve some form of the legislation this year. However, since the Senate has yet to move on its version of the bill the final legislation is likely to change as the bills move through the legislative process. Following are some of the key provisions of the House bill:

Provisions to Increase Savings

- Allows individuals to save for retirement longer by **gradually increasing the RMD** age from 72 to 75. The House bill does this in three phases, age 73 starting in 2023, age 74 in 2030 and age 75 in 2033. Effective after 12/31/22
- Provides **indexing** of the current \$1,000 IRA **catch-up contribution** for those age 50 and older. Effective after 12/31/23.
- **Increases annual catch-up limits** for employer plans to \$10,000 for individuals ages 62, 63, and 64 and \$5,000 for SIMPLE IRA/401(k) plans. Effective after 12/31/23.
- Allow employees with **qualified student loan balances** to repay the loan while employed and have the employer contribute a matching contribution to the employee’s retirement account. Effective after 12/31/22.
- **Simplifies Saver’s credit** by creating one rate of 50% to encourage individuals with incomes below a specific level to save for retirement. Effective after 12/31/26.

Provisions to Increase Availability/Participation

- Except for small employers with 10 or fewer employees and businesses in existence for less than 3 years certain **new retirement plans**, such as 401(k) and 403(b), are **required to automatically enroll eligible** employees. The initial automatic enrollment amount must be at least 3% but no more than 10% with annual increase of 1% until reaches 10%. Effective after 12/31/23.
- To encourage participation employers are allowed to offer employees small, immediate, incentives (gift card) for making retirement plan contributions. Effective date of enactment.
- **Improves coverage for part-time workers** in 401(k) plans by reducing the period of service requirement from three years of 500 hours to two years of 500 hours. Effective after 12/31/22.
- Offers small employers a new tax credit if they **make it easier for military spouses to save for retirement** by making the spouses eligible for plan participation within 2 months of hire, eligible for matching or nonelective contributions at 2 years of service, and 100% vested in all employer contributions. Effective date of enactment.
- **Modifies tax credit** to cover new retirement plan start-up costs for small employers. Effective after 12/31/22 level to save for retirement. Effective after 12/31/26.
- **Permits not-for-profit employers to participate in MEP** to gain more favorable investment result and reduced costs as well as provide relief from the one bad apple rule. Effective after 12/31/22.



Provisions to Preserve Income

- **Removes RMD barriers to certain life annuities** in qualified plans/IRAs that are the results of existing regulations. The actuarial test prohibited many guarantees that provided modest benefit increases such as annual increases of 1-2%, return of premium death benefits and period certain guarantees. Effective date of enactment.
- Addresses a barrier to growth of **Qualified Longevity Annuity Contracts (QLACs)** in IRAs/define contribution by **repealing the 25% limit** for contracts purchased or received in an exchange. Also facilitates the sale of QLACS with **spousal survivor rights**. Effective date of enactment.

Revenue Raisers

- All catch-up contributions to qualified retirement plans are required to be Roth. Effective after 12/31/22
- Allows participants to elect to receive employer matching contributions as Roths. Effective after 12/31/22
- Allows SIMPLE IRAs to accept Roth contributions. Also, employee and employer contributions to a SEP can be structured as a Roth. Effective after 12/31/22
- Conforms 403(b) hardship distribution to 401(k) hardship rules. Effective after 12/31/22

Other Key Provisions

- **Reduces RMD excise tax from 50% to 25%** for individuals who take a distribution from a retirement plan that is less than required. This can be reduced to 10% if corrected within 2 years. Effective after 12/31/22.
- **Increases charitable donations** by indexing the \$100,000 charitable IRA distribution and permitting an individual to make a one-time charitable donation up to \$50,000 (indexed) to a split-interest entity. Effective after 12/31/22.
- Expands ability to defer tax for certain **sales of employer stock to ESOP to plans sponsored by an S corporation** under IRC Section 1042. Sales proceeds must be reinvested into qualified replacement property and after the sale the ESOP must own at least 30% of the employer corporation's stock. Effective after 12/31/27 Also updates rules on what qualifies as a publicly-traded and readily tradeable in case of ESOP. Effective after 12/31/26.
- Distributions for participants who experience **domestic abuse would not be subject to 10% penalty**. Effective date of enactment.
- Mandates the Creation of a national online searchable retirement savings **lost and found database** within 2 years from date of enactment.



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