Legislative Updates

The SECURE Act 2.0 of 2022

$1.7 Trillion Omnibus Spending Bill includes updates to SECURE Act of 2019

The $1.7 trillion spending package signed into law on December 29, 2022, includes updates and clarifications to the 2019 Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019. With changes to Required Minimum Distribution (RMD) beginning dates, catch-up contribution limit changes, and additional retirement plan provisions, SECURE 2.0 is chock full of changes that may impact your retirement and estate planning strategies and may require adjustments to your financial plan. We highlighted below what we believe to be the most generally applicable changes for our client base but is not intended to be an exhaustive list.

*Unless otherwise noted, all provisions take effect on or after January 1, 2023.

Benefits to Individuals

- Increases the RMD age from 72 to 73 beginning on January 1, 2023, and to age 75 beginning on January 1, 2033. Meaning, if you turn 72 after 12/31/22, your RMD age will now begin at age 73 if you were born between 1951-1959.

- The Qualified Charitable Distribution (QCD) age remains the same at age 70.5, but beginning in 2023 taxpayers may take advantage of a one-time gift up to $50,000 (adjusted annually for inflation) to fund a Charitable Remainder Unitrust, Charitable Remainder Annuity Trust, or a Charitable Gift Annuity. This is an expansion of the type of charity, or charities, that can receive a QCD. This amount counts toward the annual RMD, if applicable. Beginning 2024, the QCD limit ($100,000) will change as it will be linked to inflation.

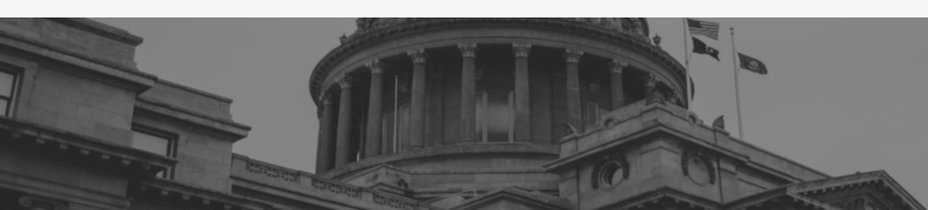
- Allows for tax-free and penalty rollovers from 529 plan accounts to a Roth IRA in the beneficiary's name, up to $35,000 during the beneficiaries' lifetime. Rollovers in any one year are subjected to the Roth IRA contribution limits and the 529 plan must have been opened for at least 15 years. This is a wealth transfer opportunity for parents/grandparents concerned about overfunding their beneficiaries' 529 plan accounts.

- The excise tax on failing to take an RMD (or distribute too little) is reduced to 25% or it can be 10% if the mistake is corrected in a timely manner.

- Qualified Longevity Annuity Contract (QLAC) total lifetime contribution limit has increased to $200,000, regardless of the IRA's account balance.

- Effective 2024, the IRA catch-up contribution limit will now be indexed to inflation.

- Effective 2024, allows a surviving spouse to elect to be treated as the deceased spouse for RMD rules.



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Benefits to Employees

- Employers will be able to provide employees the option of receiving vested matching contributions to Roth accounts (although it may take time for plan providers to offer this and for payroll systems to be updated). Previously, matching in employer-sponsored plans were made on a pre-tax basis.

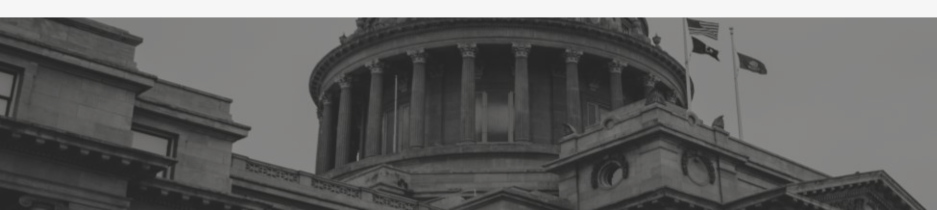
- Effective 2024, pre-death RMDs are not required for employer-sponsored Roth plans (i.e., Roth 401k, Roth 403b, and governmental Roth 457b plans).

- Effective 2024, allows employees to receive matching contributions from employers for repayment of student loans. Governmental employers are also allowed to make matching contributions to 457(b) plans with respect to such repayments.

- Effective 2024, employers may automatically opt in non-highly compensated employees into an emergency savings account at a rate of 3% salary with a cap of $2,500 annually (or lower, as set by the employer). Contributions are treated as Roth elective deferrals and may be matched up to the cap. The first four withdrawals in a year would be tax- and penalty-free.

- Effective 2025, retirement plan participants aged 60-63 years old will be able to make catch-up contributions up to $10,000 annually to a qualified retirement plan, and that amount will be indexed to inflation (the catch-up amount for people aged 50 and older in 2023 is currently $7,500). One caveat: Effective 2024, if you earn more than $145,000 (adjusted for inflation) in the prior calendar year, all catch-up contributions at age 50 or older will need to be made to an employer-sponsored Roth account in after-tax dollars.

- New exemptions to the 10% early withdrawal penalty before age 59.5:
  - Emergency withdrawal exemption up to $1,000 per year (tax refund if the taxpayer repays the withdrawal within three years). Also applies to traditional IRAs. Effective 2024.
  - Disaster relief (up to $22k distribution and may be paid back into the plan). Also applies to traditional IRAs.
  - Pay for specified long-term care insurance premiums up to $2,500 per year. Effective 12/23/25.
  - Victims of domestic abuse (the lesser of $10,000 as indexed for inflation or 50% of the participant's account). Effective 2024.
  - Individuals that are “terminally ill”.
  - Private sector firefighters.
  - State and local government correction officers.
  - Public safety officers with at least 25 years of service.



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