

SECURE 2.0

Setting **E**very **C**ommunity **U**p for **R**etirement **E**nhancement

Presented by:



Vanguard Data for roughly 5 million 401(k) Participants

| Age | Average Account Balance | Median Account Balance |
|--------------|-------------------------|------------------------|
| Under 25 | \$6,264 | \$1,786 |
| 25-34 | \$37,211 | \$14,068 |
| 35-44 | \$97,020 | \$36,117 |
| 45-54 | \$179,200 | \$61,530 |
| 55-64 | \$256,244 | \$89,716 |
| 65+ | \$279,997 | \$87,725 |

Fidelity Data for roughly 35 million Retirement Accounts

Average Retirement Account Balances

| | Q4 2021 | Q3 2021 | Q4 2020 | Q4 2011 |
|--------|-----------|-----------|-----------|----------|
| IRA | \$135,600 | \$135,700 | \$128,100 | \$69,500 |
| 401(k) | \$130,700 | \$126,100 | \$121,500 | \$69,400 |
| 403(b) | \$115,100 | \$110,800 | \$106,100 | \$53,700 |

74% of small business (less than 50 employees)
don't offer a retirement plan*

Of those:

- 58% believe their business is too small to qualify for one
- 32% say they can't afford a match and
- 24% believe 401(k) plans are too expensive to set up and manage.

What is it:

- Legislation passed as Part of Consolidated Appropriations Act
- 92 Distinct Provisions
- Some Provisions are effective immediately and some in later years

Designed to:

- Help improve individuals' ability to save for retirement
- Expand access to retirement plans
- Ease plan administration for employers

**You don't know where you are going unless you know
where you have been....**

2006 PPA

**Pension
Protection
Act**

**2019
SECURE 1.0**

Setting
Every
Community
Up for
Retirement
Enhancement

**2020
CARES ACT**

Coronavirus
Aid
Relief and
Economic
Security

What does SECURE stand for?

Setting **E**very **C**ommunity **U**p for **R**etirement **E**nhancement

Employers may permit Roth Match

Exclusion of a 10% penalty for early withdrawal on Qualified Disaster, Birth or Adoption, terminally ill participants

Self-Certification of Hardships allowed

Small immediate financial incentives for contributing to a plan

- Employers are allowed to offer minor financial incentives, not paid for with plan assets to boost employee participation in workplace retirement plans (think gift cards, etc)

Change to 2019 SECURE Act is Long Term / Part-Time Employees

- Originally scheduled for 2024 and three consecutive years is now moved to 2025 and two consecutive years

Expansion of Employee Plans Compliance Resolution System (EPCRS)

- Inadvertent errors to be self-corrected within a “reasonable time”
- Also applies to inadvertent IRA errors.

Small business credit for defined contribution plan start-ups per-employee cap of \$1,000 for non-elective matching contributions

- Credit is 100% first 2 years, 75% year 3, 50% year 4, 25% year 5 and no credit thereafter for plans >50 employees, 100% for 5 years if less than 50 employees.
- Exclusions apply

Required Mandatory Distributions (RMD)

- Age increased to age 73, does not include those already taking RMDs
- Age increased to 75 on January 1, 2033
- Penalty for failure to take RMD is lowered from 50% to 25%, potentially 10%

Eliminating unnecessary plan requirements related to unenrolled participants

- Employers no longer required to send certain ERISA notices to unenrolled participants if they receive initial disclosures and subsequent annual reminder of the right to enroll.

Employer matching of student loan payments permitted

- Employer may make matching contributions under a 401(k) plan with respect to “qualified student loan payments.”

Employees who earn over \$145,000 will be required to make CATCH-UP Contributions in ROTH

Force-out of terminated participants rises from \$5,000 to \$7,000

- Participants with over \$1,000 can choose new employer plan

Emergency savings accounts linked to individual account plans

- Employers can offer to non- HCE employees’ emergency savings accounts. Contributions are treated as Roth and limited once balance reaches \$2,500
- Auto-enrollment and match are permitted, subject to conditions

Employers can change from a SIMPLE IRA to a Safe Harbor 401k during a plan year

How many years and hours does an employee need to work to qualify for the retirement plan under the long time / part time employee language?

Starting in 2025 part-time employees who have worked 2 consecutive years and completed at least 500 hours of service each year will be eligible to enroll in their company's 401(k) or 403(b) plans.

New plans established required to have auto-enroll of at least 3% and auto-escalate of 1% per year to at least 10% but not more than 15%

- Employees get 90 days to opt out existing plans are grandfathered- exceptions for new business and businesses with < 10 employees

Part time employees with 500+ hours for 2 consecutive years are eligible to defer (don't have to match) *This should be tracked as of 2023*

Catch up contributions increased for savers age 60-63 to \$10,000

Retirement Lost and Found will be created no later than this year

- Database the DOL establishes to help former participants search for contact information of their previous plan administrator.
- Requires plan administrators to provide annual reporting of disposition of balances for vested terminated participants

Plan amendments are due to be made by the end of 2025 (re-statement of documents)

Requirement to provide paper statements in certain cases

- Amends ERISA to generally provide that, with respect to defined contribution plans, unless a participant elects otherwise, the plan is required to provide a paper benefit statement at least once annually

Savers Match Improvements

- Changes the saver's credit (applicable to tax obligations) to a federal "match" deposited into a taxpayer's IRA or retirement plan that accepts such contributions; increases eligibility for the saver's match



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Thank you!!

Questions

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