SECURE Act 2.0 of 2022

New rules to help boost your retirement readiness

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Trusts should be drafted by an attorney familiar with such matters in order to take into account income and estate tax laws. Failure to do so could result in adverse treatment of trust proceeds.

It's important to know that qualified plans such as 401(k) accounts or an IRA are intended to provide for tax deferral of earnings. Therefore, an annuity contract should only be used to fund an IRA or qualified plan to benefit from an annuity's features other than tax deferral. The other benefits may include the lifetime income options and possibly a guaranteed minimum death benefit.

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SECURE 2.0 Act of 2022

SECURE 2.0 ACT OF 2022
Setting **E**very **C**ommunity **U**p for **R**etirement **E**nhancement

Opportunities that may help you strengthen your retirement plan

LONGEVITY

Help your savings last longer in retirement

ACCESS

Incent employers to expand retirement plan access and options

FLEXIBILITY

Granting you more access to retirement savings if needed

Overview of SECURE Act 2.0 impact

Offers more opportunities for retirement savings.

Introduces new distribution rules that may prompt a review of your current goals and strategies.

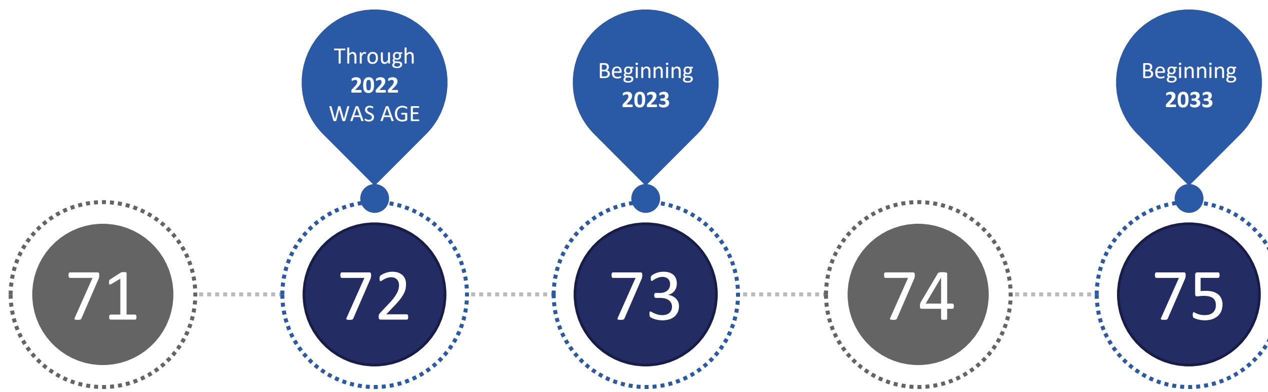
Plan sponsors may need to modify plan documents to enable some of these new features.

Stay invested longer

The age at which you must begin taking RMDs from retirement accounts has been **changed from the year in which you turn age 72 to the year in which you turn age 73**. (This will change to 75 in 2033.) *Note: This does not apply to Roth IRAs, since they are after-tax savings, which don't require any RMDs.*

Reduction of Penalties for Failure to take Distributions: Missed RMD excise tax reduced from 50% to 25% with opportunity to reduce to 10%. Please see your tax advisor regarding your specific situation.

If you don't need to rely on Required Minimum Distributions (RMDs) for income, the SECURE Act provides more time for your savings to continue growing tax-deferred.



Required minimum distributions (RMDs)

Changes to IRA contributions (catch up contributions)

Catch up Contributions

Under current law, the limit on IRA contributions is increased by $1,000 (not indexed) for individuals who have attained age 50, also referred to as a "catch up" contribution.

The catch up contribution limit for individuals over age 50 will be indexed in $100 increments beginning in tax year 2024.

Excess Contributions

Current law requires a corrective distribution of an excess contribution to an IRA, along with any earnings on the excess contribution. The corrective distribution is subject to the 10% early withdrawal penalty.

The act changes this and exempts corrective distributions and corresponding earnings from the 10% early withdrawal penalty.

Lifetime income options

SECURE 2.0 Act of 2022 includes provisions that address lifetime income from annuities.

SECURE 2.0 changed the rules around some retirement income products.

Eliminated barriers to life annuities, Qualified Lifetime Annuity Contracts and certain Exchange Traded Funds.

The rules have changed around calculating RMD amount for retirement accounts that hold an annuity.

For accounts that hold an annuity and other assets, it allows owner to aggregate for purposes of determining the RMD amount.

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Qualified Longevity Annuity Contracts ("QLACs")

These are deferred income annuities designed primarily to guard against outliving your retirement savings. A QLAC purchased within a qualified plan account or IRA in the early stages of retirement can create a specific future income stream as late as age 85 as part of a decumulation strategy.

Existing regulation originally limited the premiums an individual can pay for a QLAC to the lesser of $125,000 (indexed) or 25% of the individual's IRA account balance.

The SECURE 2.0 Act eliminates the IRA 25% limit and increases the dollar limit to $200,000 (indexed).

Excess 529 assets can now help fund retirement

SECURE 2.0 creates special rules for certain distributions from long-term qualified tuition programs (529 Plans) to Roth IRAs. It amends the Internal Revenue Code to allow for tax and penalty-free rollovers from 529 accounts to Roth IRAs, under certain conditions.

Establishing 529 plans for each child may also help jumpstart the beneficiary's retirement savings.

529 plans → **Education Savings**

529 plans → **Roth IRA funding** (for the beneficiary)*

* Must meet eligibility criteria.

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Qualified birth or adoption expenses

- Since the passage of the first SECURE Act in 2019, you have been able to make Qualified Birth or Adoption (QBAD) **penalty-free withdrawals** from your retirement accounts (up to $5,000) to help cover **childbirth or adoption** expenses.[1] The funds can be recontributed to the IRA or a qualified plan at a later date within 3 years and are not subject to the 60-day rollover rule. Repayment period is limited to within 3 years of the date the distribution was received.

- Keep in mind income tax will still be owed on the taxable portion of the withdrawal and any withdrawals will likely slow their savings momentum.

By allowing more penalty-free withdrawals of retirement funds, the SECURE Act seeks to encourage greater plan participation.

Retirement account

QBAD penalty-free withdrawal

NOW
Help cover expenses for birth or adoption of a child

[1] Withdrawals must be made within a one-year period from the child's birth (or legal adoption) date.

Other early withdrawal exceptions

Domestic Abuse	Permits certain penalty-free early withdrawals to victims of domestic abuse in an amount not to exceed the lesser of $10,000 (indexed) or 50% of the value of the employee's vested account under the plan. This is considered an in-service distribution event for 401(k), 403(b) and governmental 457(b) plans.[1]
Terminal Illness	Creates an exception to the 10% early withdrawal penalty for distributions to individuals whose physician certifies that they have an illness or condition that is reasonably expected to result in death in 84 months or less.[2]
Emergency Withdrawal	Allows one penalty-free withdrawal of up to $1,000 per year for "unforeseeable or immediate financial needs relating to personal or family emergency expenses." The withdrawal may be repaid within three years.[3]
Long Term Care Premiums	Permits retirement plans to distribute up to $2,500 per year (adjusted for inflation beginning in 2025) for the payment of premiums for certain specified (high-quality coverage) long-term care insurance contracts for the participant (or their spouse or certain other family members).[4]

[1] Effective for distributions made after December 31, 2023.

[2] Effective upon enactment, December 29, 2022.

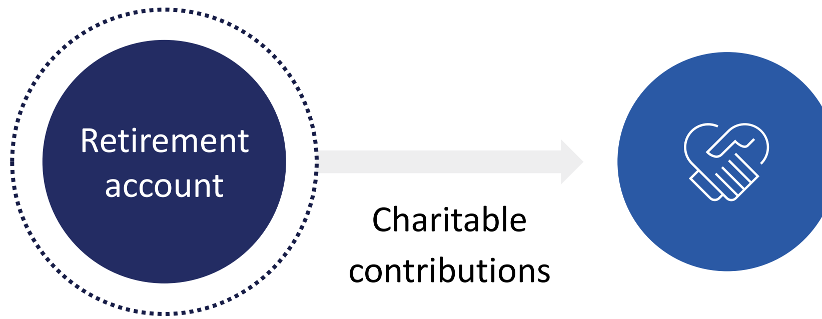
[3] Effective for distributions after December 31, 2023.

[4] Effective December 29, 2025.

Using IRA assets for charitable contributions

> You can still make qualified charitable distributions (QCDs) from your IRAs to help reduce taxable income by giving up to $100,000 directly to charities starting at age 70½. Ability to leverage IRAs for charitable contributions has been expanded.

SECURE 2.0 added a one-time election for qualified charitable distribution to a split interest entity. The provision would expand the IRA charitable distribution provision to allow for a one-time, $50,000 distribution to charities through charitable gift annuities, charitable remainder unitrusts and charitable remainder annuity trusts.



Key provisions impacting plan participants

Increased Contributions

Catch up contributions for those ages 60, 61, 62 and 63 increased to the greater of $10,000 or 150% of the age 50 catch up amount, whichever is greater. Indexed for inflation.

Effective 2024

Roth Plan Distribution Rules

Eliminated RMDs for Roth employer accounts during the lifetime of the owner.

Effective 2024

Catch up Contribution Classification

Catch up contributions must be made on a Roth basis.

EXCEPTION: Eligible participants whose prior year wages do not exceed $145,000.

Effective 2024

Timeline for Implementation of Certain Provisions

2023
- RMD age pushed to 73 (for those born 1951-1959)
- Roth for SEP and SIMPLE IRAs permitted

2024
- RMDs no longer required for Roth assets in employer-sponsored plans
- Limited 529 rollovers to Roth IRAs permitted
- Student loan repayments characterized as elective deferral for employer match

2025

Enhanced catch up contributions for those age 60–63

2026

Penalty-free withdrawals for long-term care premiums (technically effective 12/29/25)

2033

RMD age pushed to 75 (for those born 1960 or later)

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Let’s start a conversation

Think about your retirement savings and income goals

Ask questions now, call or come see us

Schedule time to discuss how we can help you

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