



SECURE ACT 2.0

WHAT AND WHEN

Great news – Congress has passed Secure Act 2.0. But what does it mean for you and your business? Compass is always working to make your job easier, so we have listed out some of the provisions, and when they go into effect.

NOTE:

Although some specifications are set to take effect immediately, it will take some time before additional guidance is released by the IRS and DOL and any plan changes can be implemented. Detailed plan amendments must be signed prior to implementation.

Effective Immediately

- New exclusions to the 10% early withdrawal penalty:
 - Qualified Disaster
 - Qualified Birth or Adoption
 - Terminally Ill
- Employee may self-certify hardships
Note: Optional provision and must be elected by your plan
- Employers may permit Roth matches
Note: Optional provision and must be elected by your plan.
Additional guidance will come from the IRS and DOL.
- RMD age increased to 73 for 2023; future increases planned
- Small business start-up tax credit increased to 100% if ≤ 50 employees
- Small business new employer contribution tax credit max of \$1,000 per employee for first year and gradually reduces over 5 years. Full credit available for employers with ≤ 50 employees.
Note: Please see our New Business Tax Credit sheet for more information

Rolling Out in 2023

- Removal of some notices to unenrolled participants
- 403(b) PEPs and MEPs allowed
- Simple and SEP Roths allowed

Rolling Out in 2024

- Auto-Portability of participant accounts to new employer's plan
- Employer matching of student loan repayments
Note: Optional provision and must be elected by your plan
- If earning >\$145k, catch-up contributions must be Roth
Note: Plan must allow Roth contributions or no catch-up allowed for these higher paid employees
- No RMD requirement for Roth 401(k)s and Roth 403(b)s
- Mid-Year Conversions from Simple IRA to Safe Harbor 401(k) now allowed
- Auto Cash-Out increases to \$7k
Note: Optional provision and must be elected by your plan
- Emergency Savings Accounts (ESAs) can be mandated by employer. Cap of \$2,500. (Only for NHCEs.)
Note: Optional provision and must be elected by your plan
- Retirement Savings Lost and Found
- Starter 401(k) Plans
- New exclusions to 10% early withdrawal penalty
 - Emergency Distribution of \$1,000
 - Domestic Abuse
- Higher simple contributions for small employers

Rolling Out in 2025

- Plans established in 2023 and after are required to:
 - Have auto-enroll of at least 3%
 - Have auto-escalate of 1% per year, cap at 15%
 - Allow 90 days to un-enroll**Note:** Exemptions exist for employers with less than 11 employees and new businesses during the first 3 years in existence
- Long-time part-time employees (those with 500+ hours for 2 consecutive years) are eligible to defer
- Catch-up contribution increased for savers age 60-63

Rolling Out in 2026

- Annual paper statement requirement
- New exclusions to 10% early withdrawal penalty
 - Qualifying Long Term Care Insurance premiums
- Changes to savers credit, making it more like a match. Credit will be deposited into a retirement savings vehicle.

STAY TUNED:

As additional guidance is released, Compass will provide updated resources to keep you informed.

QUESTIONS?

Reach out to us. We are here for you.
603.778.9920 or compass-cg.com