SECURE ACT 2.0

HIGHLIGHTS & CONSIDERATIONS

The SECURE Act 2.0 was passed into law on December 29, 2022 and creates important changes that may impact your retirement. These changes will take place over the course of coming years. Though there are many changes that the SECURE Act 2.0 enacts, this blog will focus on three of the highlights of this legislation that may impact you.

RMDs

Effective 2023

If you were born between 1951 and 1959, your RMD begins when you turn 73. If you were born in 1960 or later, your RMD begins when you turn 75. Implementing additional tax planning strategies (e.g. Roth conversions, harvesting capital gains, accelerating taxable distributions, etc.) before RMDs commence may help us mitigate your (or your heir's) overall tax liability in the future.

Additionally, putting a portion of your IRA into a qualified longevity annuity contract (QLAC), enables you to delay taking RMDs on that portion until the age of 85. The new limit for this option is $200,000.

The penalty for not taking an RMD will decrease from 50% of the RMD amount to 25%. The penalty will be reduced to 10% for IRA owners if the account owner withdraws the RMD amount previously not taken and submits a corrected tax return in a timely manner.

Effective 2024

RMDs are eliminated for Roth retirement plans (e.g. 401(k), 403(b), etc.).

Increased Catch-Up Contributions

Effective 2024

If you make over $145,000 and you plan to make catch-up contributions to your employer's retirement plan, you will now only be eligible to make catch-up contributions to a Roth account. This means there is no tax deduction.

IRAs currently have a $1,000 catch-up contribution limit for people age 50 and over. Starting in 2024, that limit will be indexed to inflation, meaning it could increase every year, based on federally determined cost-of-living increases.

Effective 2025

Starting January 1, 2025, individuals ages 60 through 63 years old will be able to make catch-up contributions up to $10,000 annually to a workplace plan, and that amount will be indexed to inflation. (The catch-up amount for people age 50 and older in 2023 is currently $7,500.)

Employer Matching

Effective 2023

If your employer offers to match on retirement plan contributions, you may want to consider if newly allowed matches to Roth account (which are taxable as income) are better suited to your tax planning goals. Keep in mind your Roth earnings then grow tax free!

Summary

These are just a few of the ways in which the SECURE Act 2.0 impacts your retirement plan. If you have questions about your individual position or if any other changes from the new legislation are applicable to your situation, please do not hesitate to contact the team at LBDIAS and schedule a time to talk.

If you want to learn more read, *What Important Issues Should I Consider Regarding Changes Made By The SECURE Act 2.0?*

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