

# What plan sponsors need to know about SECURE 2.0 Act of 2022



Wealth Management

On December 29, 2022, President Joe Biden signed the SECURE 2.0 Act of 2022 into law, further modifying many of the federal tax rules that apply to qualified retirement plans and other types of tax-preferred retirement accounts. These changes follow those enacted through the SECURE Act of 2019.

The provisions of SECURE 2.0 Act of 2022 are wide ranging and have effective dates ranging from retroactive to as late as 2032 and the bill is split into six different titles.

- Title 1 of the bill seeks to expand retirement plan coverage and increase retirement savings.
- Title 2 addresses preservation of income issues.
- Title 3 provides simplification and clarification of retirement plan rules.
- Title 4 provides technical amendments to law.
- Title 5 relates to administrative procedures.
- Title 6 relates to revenue provisions.

The information below summarizes many of the key highlights of SECURE 2.0 Act of 2022 that plan sponsors should consider for their current plans or for business owners looking to establish retirement plans for their employees. Plan amendments made pursuant to this bill must be made by the end of the 2025 plan year (2027 plan year in the case of governmental plans and collectively bargained plans) as long as the plan operates in accordance with such amendments as of the effective date of a legislative or regulatory requirement or amendment (Section 501).

## Provisions effective in 2022 or earlier

Section of SECURE 2.0 Act	Provision	Description	Effective date
111	Start-up tax credits available for plans joining MEP/PEPS	Clarifies that the first credit year is the taxable year that includes the date that the MEP to which the costs relate becomes effective with respect to the eligible employer.	Retroactively for taxable years beginning after December 31, 2019
128	Enhancement of 403(b) plan investment options	Explicitly allows 403(b) plans with custodial accounts to invest in collective investment trusts. However, the legislation does not address the securities law issues that prohibit such investments in most cases.	Investments after December 29, 2022

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305	Expansion of employee plans compliance resolution system (EPCRS)	Allows any eligible inadvertent failure (as defined in Sec. 305(e)) to be self-corrected under EPCRS at any time (regardless of whether the error is significant or insignificant) unless (i) the IRS identified the failure before self-corrective measures commenced, or (ii) the self-correction was not completed in a reasonable period after the failure was identified.	December 29, 2022
604	Optional treatment of employer matching or non-elective contributions as Roth contributions	Allows a Section 401(a) qualified plan, a Section 403(b) plan, or a governmental 457(b) plan to permit employees to designate employer matching or non-elective contributions as Roth contributions. Student loan matching contributions may also be designated as Roth contributions.	Contributions made after December 29, 2022

**Provisions effective in 2023**

Section of SECURE 2.0 Act	Provision	Description	Effective date
102	Modification of credit for small employer pension plan start-up costs	Increases credit to 100% of qualified start-up costs for employers with up to 50 employees. Provides for an additional credit for five years of up to \$1,000 per employee equal to the applicable percentage of eligible employer contributions to an eligible employer plan (not including a defined benefit plan).	Tax years beginning after December 31, 2022
106	Multiple employer 403(b) plans	Permits certain 403(b) plans to be operated as MEPs (including as PEPs)	Plan years beginning after December 31, 2022
107	Increase in age for required beginning date for mandatory distributions	Increases the RMD age to: <ul style="list-style-type: none"> <li>Age 72 for those born in 1950 or earlier (70 1/2 for those who turned 70 prior to 2020)</li> <li>Age 73 for those born between 1951–1959</li> <li>Age 75 for those born in 1960 and later</li> </ul>	Effective for individuals who turn 72 after December 31, 2022
113	Small immediate financial incentives for contributing to a plan	Allows participants to receive small financial incentives (not paid for with plan assets) for contributing to a 401(k) or 403(b) plan, such as gift cards for small amounts.	Plan years beginning after December 29, 2022
312	Employer may rely on employee certifying that deemed hardship distribution conditions are met	Allows a plan administrator to rely on an employee's self-certification that they have had a safe harbor event that constitutes a deemed hardship for purposes of taking a hardship withdrawal from a 401(k) plan or a 403(b) plan.	Plan years beginning after December 29, 2022
320	Eliminating unnecessary plan requirements related to unenrolled participants	Defined contribution plan sponsor notices to unenrolled participants now must consist solely of an annual notice of eligibility to participate during the annual enrollment period (and providing any document so entitled upon request).	Plan years beginning after December 31, 2022
601	SIMPLE and SEP Roth IRAs	An SEP and a SIMPLE IRA are permitted to be designated as Roth IRAs.	Taxable years beginning after December 31, 2022

## Provisions effective in 2024

Section of SECURE 2.0 Act	Provision	Description	Effective date
110	Student loan matching program	Employer contributions made on behalf of employees for qualified student loan payments are treated as matching contributions, so long as certain requirements are satisfied.	Plan years beginning after December 31, 2023
115	Withdrawals for certain emergency expenses	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. Only one withdrawal per three-year repayment period is permitted if the first withdrawal has not been repaid.	Distributions made after December 31, 2023
116	Allow additional nonelective contributions to SIMPLE plans	Allows an employer to make additional contributions to each employee of the plan in a uniform manner, provided that the contribution does not exceed the lesser of 10% of compensation or \$5,000 (indexed for inflation).	Taxable years beginning after December 31, 2023
117	Contribution limit for SIMPLE IRAs	<ul style="list-style-type: none"> <li>Plans covering 25 employees get 10% increase in current limits</li> <li>Plans covering &gt; 25 employees get 10% increase if they make 4% match or 3% non-elective contribution</li> </ul>	Taxable years beginning after December 31, 2023
121	Starter 401(k) plans for employers with no retirement plan	<p>Creates two new plan designs for employers who do not sponsor a retirement plan:</p> <ul style="list-style-type: none"> <li>A starter 401(k) deferral-only arrangement</li> <li>A safe harbor 403(b) plan</li> </ul> <p>The limit on annual deferrals would be the same as the IRA contribution limit. These plans would generally require that all employees be enrolled in the plan with a deferral rate between 3% and 15% of compensation.</p>	Plan years beginning after December 31, 2023
127	Emergency savings accounts linked to individual account plans	Permits a plan sponsor to amend its plan to offer short-term emergency savings accounts (ESAs) as part of a defined contribution plan. ESAs must be funded post-tax with Roth contributions, and participants may be automatically enrolled at a rate of up to 3% of compensation.	Plan years beginning after December 31, 2023
303	Retirement savings lost and found	Directs the DOL to create an online searchable lost and found database to collect information on benefits owed to missing, lost or non-responsive participants and beneficiaries	December 29, 2024
304	Updating dollar limit for mandatory distributions	Increases the involuntary cash-out limit to \$7,000 from \$5,000.	Distributions after December 31, 2023
325	Roth plan RMD rules	Roth amounts in 401(k), etc. plans are exempt from pre-death RMD rules.	Taxable years beginning after December 31, 2023
332	Employers allowed to replace SIMPLE retirement accounts with safe harbor 401(k) plans during a year	Permits an employer to elect to replace a SIMPLE IRA plan with a safe harbor 401(k) plan at any time during the year, provided certain criteria are met.	Plan years beginning after December 31, 2023
603	Catch up contributions required to be Roth	Catch up contributions must be made on a Roth basis except for eligible participants whose prior year's wages did not exceed \$145,000 (indexed for inflation). This does not apply to SIMPLE IRAs or SEP plans.	Taxable years beginning after December 31, 2023

**Provisions effective in 2025**

Section of SECURE 2.0 Act	Provision	Description	Effective date
101	Require automatic enrollment for new plans	New 401(k) and 403(b) plans must meet the requirements for an eligible automatic contribution arrangement (EACA). Governmental plans, church plans, SIMPLE plans, employers in existence less than three years, and small employers with 10 or fewer employees are exempt. Existing plans established before December 29, 2022 are exempt unless adopting into an existing MEP after December 29, 2022.	Plan years beginning after December 31, 2024
109	Higher catch-up limit to apply at age 60, 61, 62 and 63	Increases the limit on catch-up contributions for individuals age 60–63 to the greater of (i) \$10,000 or (ii) 150% of the regular catch-up amount for 2024, indexed for inflation for plans other than SIMPLE IRA plans.	Plan years beginning after December 31, 2025
125	One-year reduction in period of service requirement for long-term, part-time workers	Reduces from three to two the required years of service before long-term, part-time workers are eligible to contribute to a plan. Extends the long-term, part-time coverage rules to 403(b) plans that are subject to ERISA.	Plan years beginning after December 31, 2025
338	Paper statement mandate	<ul style="list-style-type: none"> <li>Requires at least one DC plan quarterly benefit statement to be delivered in paper unless participant opts out</li> <li>Requires DB statement every three years to be delivered in paper</li> </ul>	Plan years beginning after December 31, 2025

**Provisions effective in 2026 or later**

Section of SECURE 2.0 Act	Provision	Description	Effective date
103	Saver's match	Modifies the existing saver's credit to make it refundable and turns it into a direct government matching contribution to the taxpayer's IRA or eligible retirement plan.	Tax years beginning after December 31, 2026

RBC Wealth Management continues to analyze the implications of SECURE 2.0 Act of 2022. If you have questions, please contact your financial advisor.



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