32nd Annual

Tax Symposium

5 (OF MANY) CHANGES INCLUDED IN SECURE 2.0 YOU SHOULD BE AWARE OF

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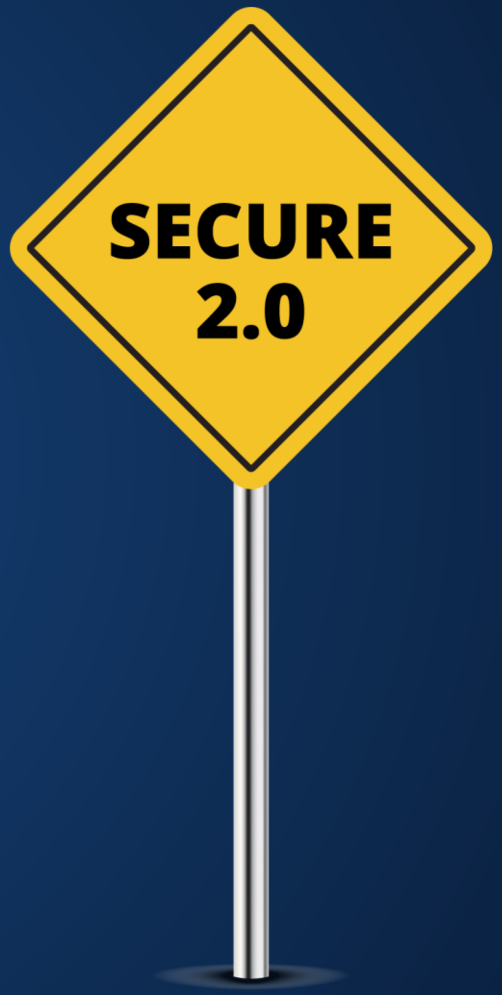
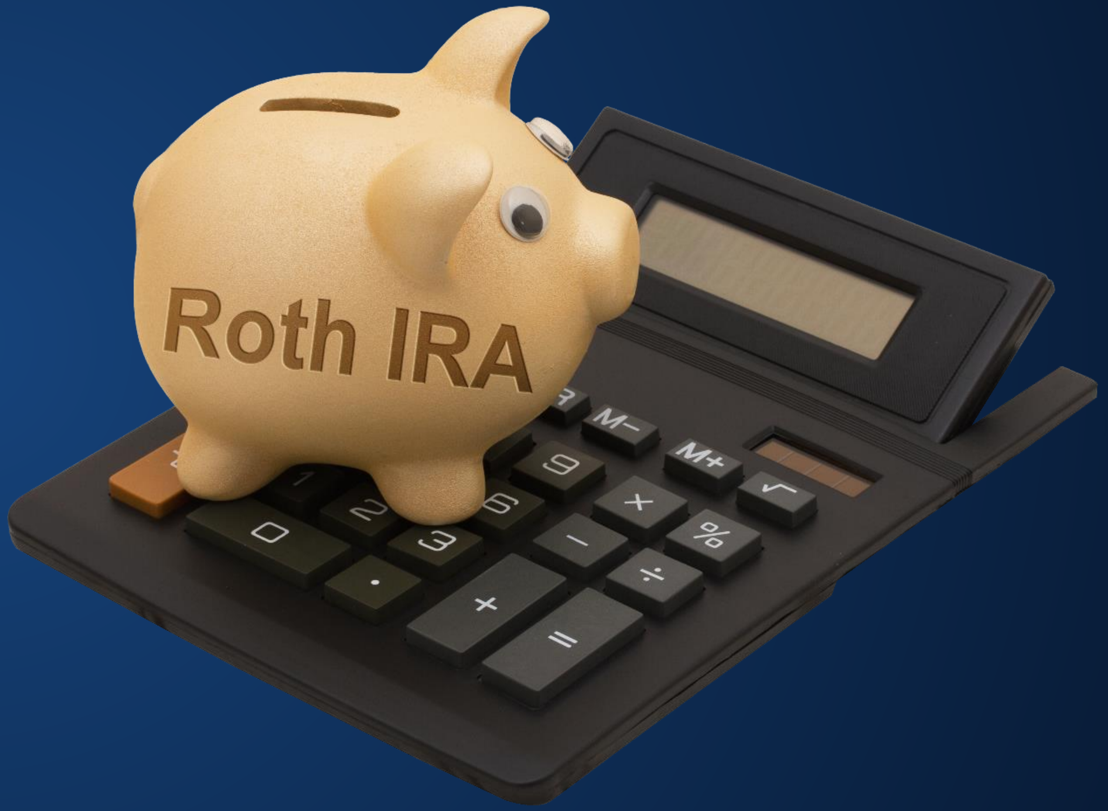
WHAT IS SECURE 2.0?

- Extensive legislation dealing with retirement savings
- Its primary purposes are to increase retirement savings and lower the cost of establishing and maintaining plans
- Generally effective in 2023, but many provisions have delayed effective dates



HIGH INCOME EMPLOYEES REQUIRED TO MAKE CATCH-UP AS ROTH CONTRIBUTIONS

- Affects 401(k) plan participants whose wages exceeded $145,000 (plus COLA increases) during the prior calendar year
- The participant's catch-up deferrals must be in the form of Roth contributions
- Original effective date was the first plan year beginning after December 31, 2023; however, IRS has announced a two-year postponement

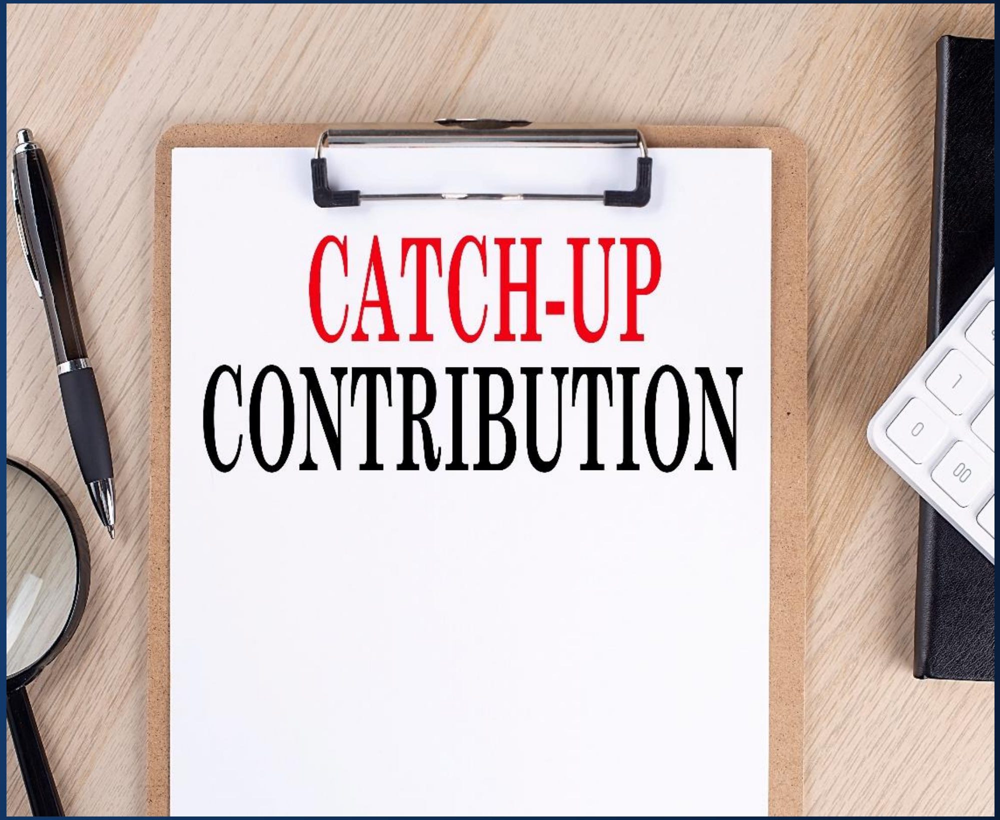


EXPANDING 401(k) COVERAGE TO LONG-TERM PART-TIME EMPLOYEES (“LTPTEs)

- SECURE 1.0 required 401(k) plans to allow employees who have completed at least 500 hours of service in three consecutive years to be eligible to defer as of January 1, 2024
- SECURE 2.0 reduces the three consecutive year rule to two consecutive years beginning January 1, 2025
- There still is no requirement that the LTPTE must be eligible for other plan contributions (matching, non-elective or safe harbor)

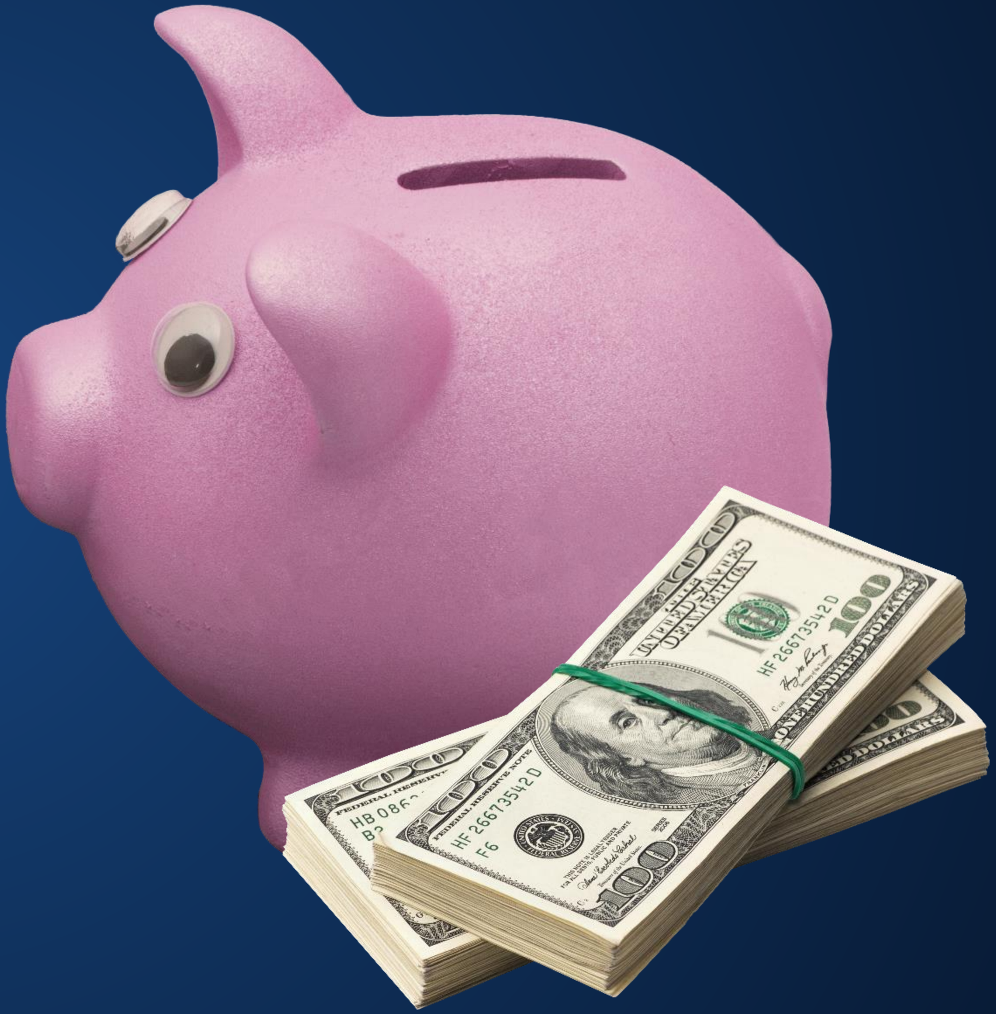
$10,000 "BONUS" CATCH-UP CONTRIBUTION

- "Regular" catch-up contributions date back to 2002
- Starting in 2025, bonus catch-up contribution will only be available to participants between ages 60 and 63
- During the years of the bonus catch-up contribution, the limit will be increased to the greater of (i) $10,000 or (ii) 150% of the regular catch-up contribution for the year



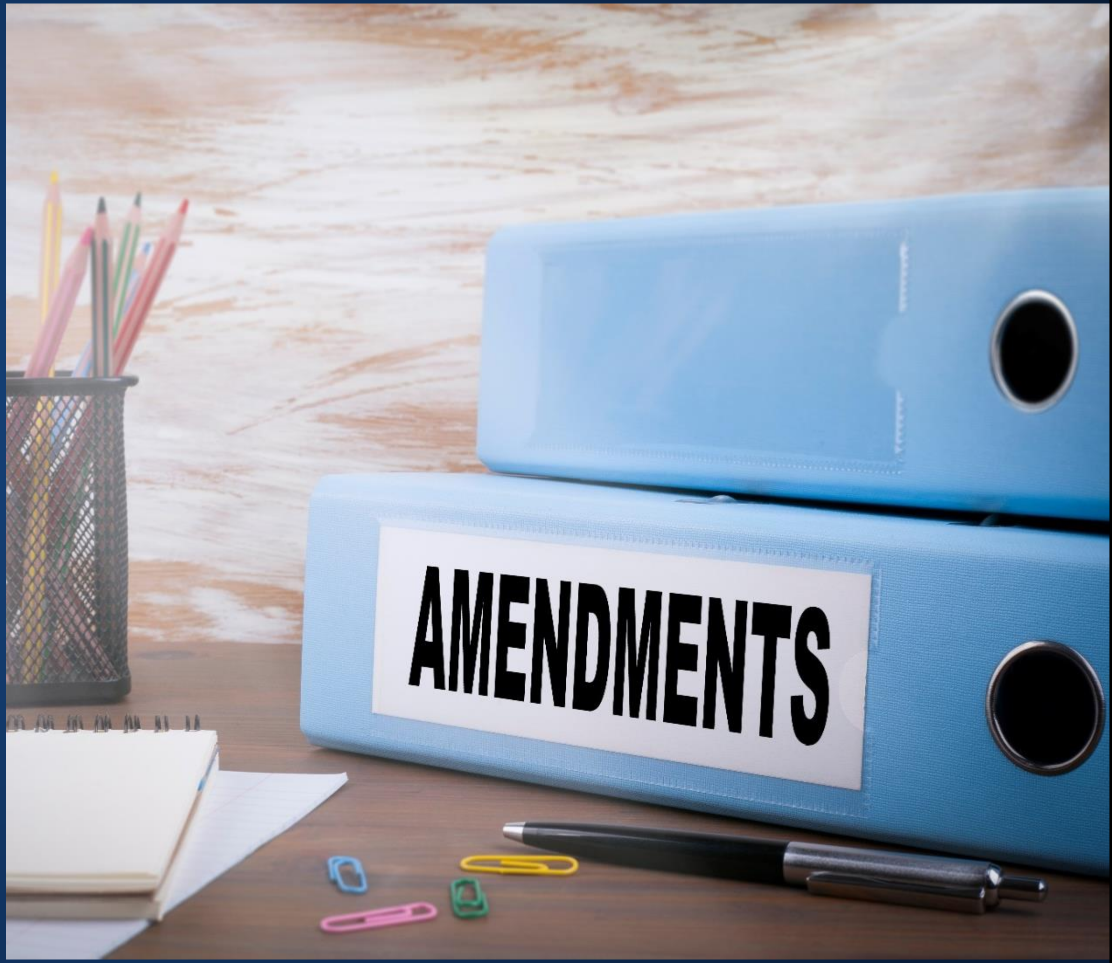
EXPANDED OPPORTUNITIES FOR EMERGENCY DISTRIBUTIONS

- Inability to reach retirement savings has a chilling impact on employee deferrals
- Hardship distributions from 401(k) accounts have helped with limited success



EXPANDED OPPORTUNITIES FOR EMERGENCY DISTRIBUTIONS

- Emergency distributions will become available from 401(k) plans
  - Effective for years beginning in 2024
  - Participants can access up to $1,000 for “unforeseeable or immediate financial needs” without penalty
  - No proof is needed
  - Limited to $1,000 each year; however, a participant can’t request another emergency distribution within three years unless they repaid the first distribution
  - If repaid within three years, an amended tax return can be filed for a refund of the taxes paid

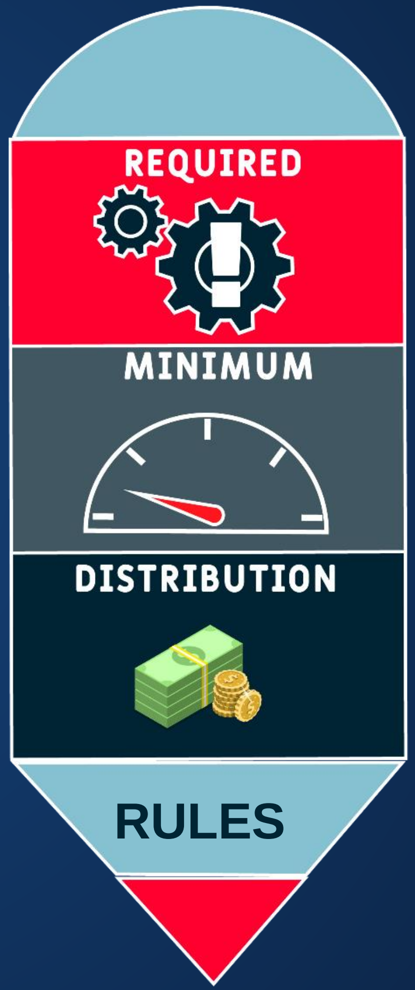


EXPANDED OPPORTUNITIES FOR EMERGENCY DISTRIBUTIONS

- Roth Emergency Savings Accounts
  - For years beginning in 2024, a 401(k) plan may allow non-highly compensated employees to direct up to $2,500 of their deferral to be placed in an after-tax emergency savings account
  - Participants must be given access at least once a month to withdraw funds, tax and penalty free
  - Employer contributions may not be made to these accounts
  - No guidance yet on the standard of what constitutes an emergency

CHANGES IN THE RMD RULES

- Generally, the RMD rules are designed to assure that accumulations in retirement plans are used for retirement purposes as opposed to being a "tax sheltered death benefit"



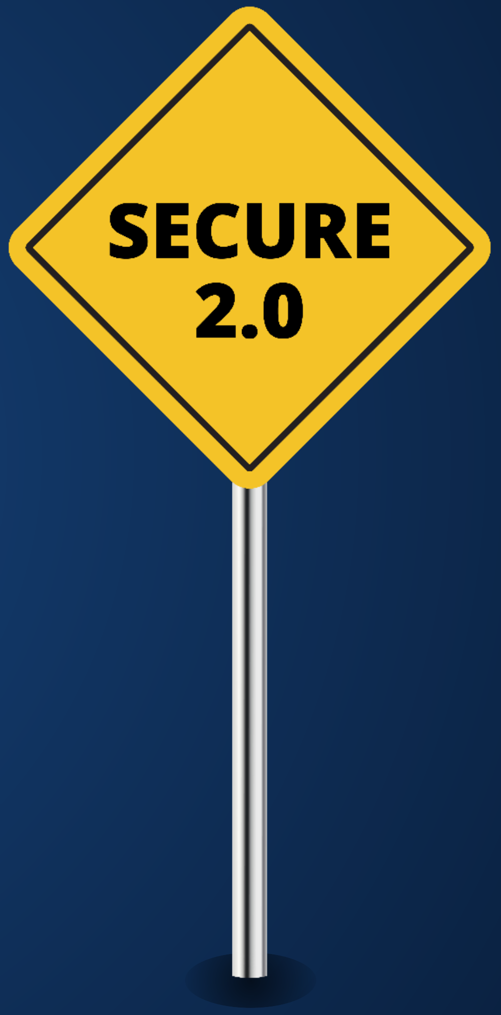
CHANGES IN THE RMD RULES

- Postponing the RMD starting date ("RSD")
  - For many years, the RSD was the attainment of age 70½
  - SECURE 1.0 recently increased the age from 70½ to 72
  - SECURE 2.0 has further increased the RSD to age 73 and ultimately age 75
  - Schedule of RSD Increases

Birth Date	RSD Age
Pre-July 1, 1949	70½
July 1, 1949-1950	72
1951-1959	73
1960 and after	75

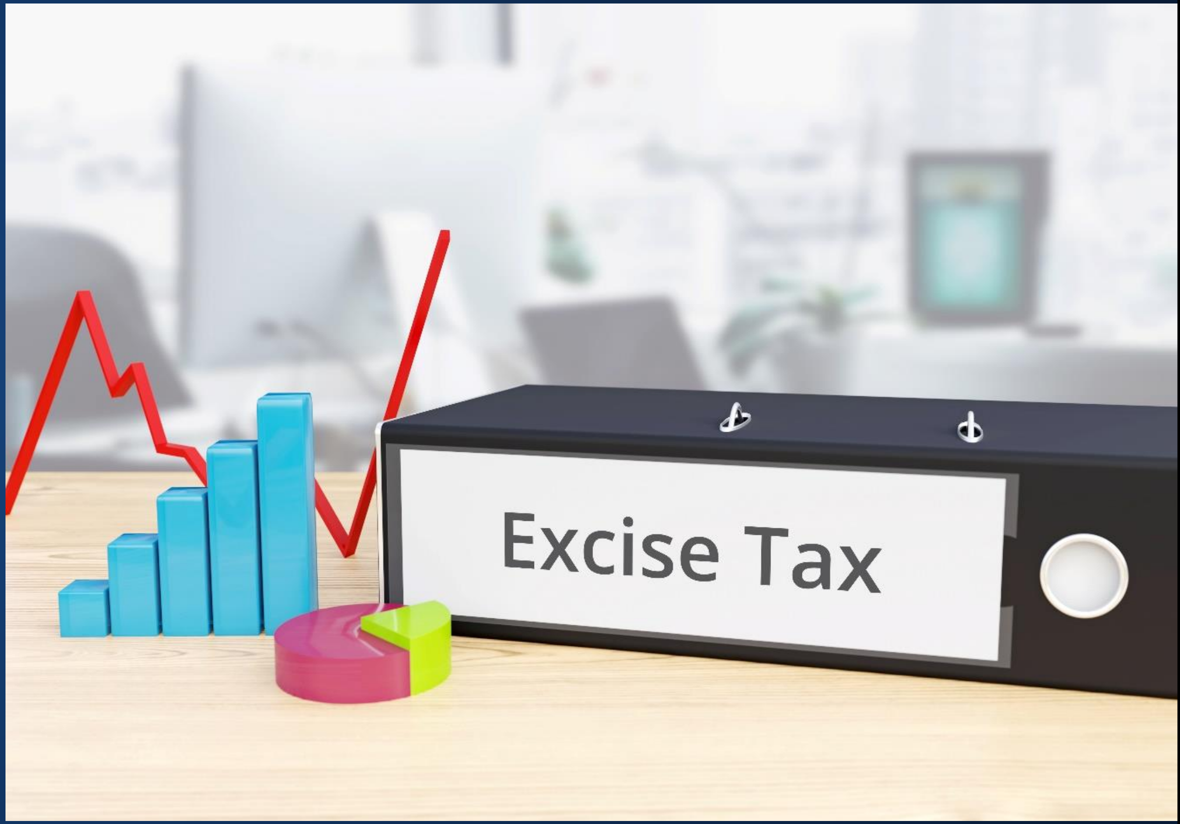
CHANGES IN THE RMD RULES

- Removal of the RMD requirement for Roth Accounts in 401(k) plans
  - While Roth IRAs did not require RMDs, inexplicably Roth 401(k) accounts have been subject to the RMD rules
  - SECURE 2.0 has removed the RMD requirements for qualified retirement plans beginning in 2024



CHANGES IN THE RMD RULES

- Reduction in the 50% excise tax for failures to take an RMD
  - IRC Section 4974 imposes a 50% excise tax on unpaid RMD amounts
  - SECURE 2.0 reduces the excise tax to 25% in 2023 and if corrected within two years, the excise tax is further reduced to 10%



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THANK YOU

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