

33rd Annual
Tax Symposium

**SECURE 2.0: WHAT'S COMING
AND WHAT WAS CLARIFIED IN 2024**

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WHAT IS SECURE 2.0 AND WHY ARE WE STILL TALKING ABOUT IT?

- Extensive legislation dealing with retirement savings
- Its primary purposes were to increase retirement savings and lower the cost of establishing and maintaining plans
- Generally effective in 2023 and 2024, but some provisions are effective in 2025



HAPPY 50TH BIRTHDAY ERISA



DISTRIBUTIONS FROM INHERITED IRAS?

- IRS guidance finally requires compliance as January 1, 2025
- “Eligible beneficiaries” are spouses, minor children and others less than 10 years younger than the IRA owner
- Eligible beneficiaries may still use “stretch” IRAs and be paid using their life expectancies



INHERITED IRA

DISTRIBUTIONS FROM INHERITED IRAS?

- Distributions to non-eligible beneficiaries after the IRA owner has reached their RMD date
 - The distribution must be completed by the end of the 10th year following the year of death
 - Annual distributions are required each year using the beneficiaries' life expectancy



DISTRIBUTIONS FROM INHERITED IRAS?

- Distributions to non-eligible beneficiaries before the IRA owner has reached their RMD date
 - The distribution must be completed by the end of the 10th year following the year of death
 - No annual distributions are required



DISTRIBUTIONS FROM INHERITED IRAS?

EXAMPLE 1:

Harry is 45 and inherited his father's IRA. His father, Joe, was 85 when he passed away in 2024

- Harry is not an eligible beneficiary
- Joe was subject to RMDs at his death
- Harry will be required to take RMDs from the IRA for the years 2025 through 2033 and the balance by the end of 2034

DISTRIBUTIONS FROM INHERITED IRAS?

EXAMPLE 2:

The facts are the same as Example 1, except Joe passed away at age 70

- Harry is not an eligible beneficiary
- Joe was not subject to RMDs at his death
- Harry will not need to take RMDs from the IRA for the years 2025 through 2033, but will be required to take the balance by the end of 2034

SAVING MORE THROUGH “BONUS” CATCH-UP CONTRIBUTION

- “Regular” catch up contributions date back to 2002
- Starting in 2025, bonus catch-up contributions will be available to participants between ages 60 and 63
- During the year 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 ACCESSING RETIREMENT SAVINGS

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



EXPANDED OPPORTUNITIES FOR ACCESSING RETIREMENT SAVINGS

- IRS Notice 2024-55 recently provided guidance on “\$1,000 emergency distributions”
 - Limited to “necessary, unforeseen and immediate expenses”
Routine expected expenses won’t qualify
 - Self certification is acceptable
 - Available only once a year but can’t be accessed within the following 3 years unless the prior distribution is repaid
 - The provision is optional for plan sponsors
 - Effective for 2024

EXPANDED OPPORTUNITIES FOR ACCESSING RETIREMENT SAVINGS

- IRS Notice 2024-55 also provided guidance on distributions for certain “victims of domestic abuse”
 - Domestic abuse includes physical, psychological, sexual, emotional or economic abuse
 - Limited to violence from a partner, spouse or other individuals in a domestic setting
 - Amount limited to the lesser of \$10,000 or 50% of the participant’s account balance

EXPANDED OPPORTUNITIES FOR ACCESSING RETIREMENT SAVINGS

- Funds may be used for:
 - (i) legal fees securing protective orders,
 - (ii) counseling expenses, and
 - (iii) relocation expenses for safety
- Like the \$1,000 emergency distributions:
 - (i) optional for plan sponsors, and
 - (ii) may be repaid to plan within 3 years



WHAT IS A QSLP?

- A matching 401(k) contribution for a participant's payment of qualified student loan expenses
- A qualified student loan:
 - Indebtedness incurred solely to pay higher education expenses
 - The expense must be incurred by the employee, their spouse or their dependent



WHAT IS A QSLP?

- To qualify as a QSLP:
 - The loan payment must be made by the participant during the plan year
 - The participant must have had a legal obligation to pay the debt
 - The qualifying loan amount is limited to an amount that when added to the participant's deferral amounts does not exceed the IRC Section 402(g) limit, plus the catch-up amount, if applicable

WHAT IS A QSLP?

- Optional for the plan sponsor
- If included, a QSLP must be made available for all participants eligible for the plan
- QSLPs may not be limited to only the participant's education expenses, certain degrees or certain schools

MANDATORY AUTO-ENROLLMENT FOR NEW 401(K) PLANS

- Auto-enrollment is mandatory for plan years beginning in 2025 if the plan was first established after December 29, 2022
- The perceived benefits include greater participation among employees and a greater likelihood of passing the ADP test



MANDATORY AUTO-ENROLLMENT FOR NEW 401(K) PLANS

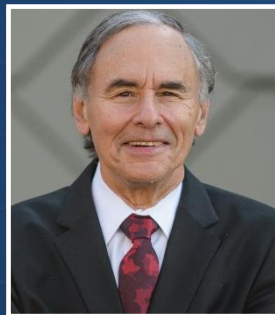
- How the auto-enrollment feature must work
 - Automatic enrollment at deferral rates of not less than 3% nor more than 10%
 - Deferral rates must increase by 1% per year up to at least 10% (but never more than 15%)
 - Participants may opt out or select other deferral rates
 - If an investment choice is not made, the account will be auto-invested in the plan's Qualified Default Investment Alternative

MANDATORY AUTO-ENROLLMENT FOR NEW 401(K) PLANS

- Within 90 days after the first auto-deferral, a participant may elect to withdraw all of their the deferral and earnings
- Participants must receive notice of the auto-enrollment and the right to opt out or select another deferral rate
- Employers with 11 or fewer employees or those in existence less than 3 years may elect out of auto-enrollment

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THANK YOU



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