

SECURE ACT 2.0

What Individuals Should Know

Individuals

Required Minimum Distributions (RMD) – Moves back the date by which retired participants are required to begin taking minimum distributions from their qualified plans to age 73 starting on January 1, 2023, and to 75 starting on January 1, 2023. Also, surviving spouses can elect to be treated as the deceased employee for RMDs—effective calendar years after December 31, 2023.

529 Rollover to Roth – Provides for a tax and penalty-free rollover of unused dollars (up to \$35,000) from 529 accounts to Roth IRA over the lifetime of beneficiaries. Subject to Roth IRA annual limits and 529 accounts must have been open for more than 15 years. Effective for distributions after December 31, 2023.

IRA Catch-Up Limit Indexed – Subject to a COLA adjustment. Effective for tax years beginning after December 31, 2023.

Withdrawals for Emergency Expenses – 10% excise tax will not apply to distributions used for emergency expenses that are unforeseeable or immediate financial need (personal or family emergency expenses). One distribution per year, up to \$1,000, and repayable within 3 years (no additional emergency distributions during this period unless repayments are made). Effective for distributions after December 31, 2023.

Preservation of Income

Qualifying Longevity Annuity Contracts (QLACs) Made More Attractive – QLACs are designed to begin payment towards the end of individuals' life expectancy. This helps to safeguard against running out of income later in life. The 25% limit was removed, and spouses would be allowed to share QLACs as joint and survivor annuities. Effective for contracts purchased/received on the date of enactment of the Act and later.

Reduction in Excise Taxes – Excise taxes imposed for failure to take RMDs have been reduced from 50% to 25% and can be further reduced to 10% if corrected during a provided correction window. Effective for taxable years after enactment of the Act.

Qualified Birth or Adoption Distributions – Repayment of QBADs restricted to 3 years. Effective retroactively to a 3-year period beginning date of distribution.

Federally Declared Disasters – Creates permanent rules for Federally declared disasters occurring on or after January 1, 2021. Can take penalty-free distribution up to \$22,000 for affected individuals from Plan/IRA. Taken into income over a 3-year period and can be repaid. Amounts distributed prior to disaster for the purchase of a home can be re-contributed, and repayments of loans can be extended.



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Long-Term Care Bought with Retirement Dollars – Plans can make penalty-free distributions up to \$2,500 annually for payment of premiums for high-quality coverage long-term care insurance contracts. Effective 3 years after enactment of Act.

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*As of 04/01/2023