

SECURE Act 2.0

After months of debate, Congress finally passed some major changes to retirement laws at the end of 2022.¹

The Setting Every Community Up for Retirement Enhancement (SECURE) Act 2.0 changes are numerous, complex, and will roll out over several years.

So let's focus for now on some changes for 2023:²

1. The age at which required minimum distributions (RMDs) begin increased to 73 in 2023. This change impacts folks born between 1951 and 1959.

2. The penalty for missing all or part of an RMD decreased to 25% in 2023. However, if you correct the past-due RMD and pay taxes on it within two years, the penalty drops to 10%.³

3. Qualified Charitable Distributions have a few more options. Starting in 2023, folks who are aged 70½ or older can gift a one-time amount of \$50,000 (adjusted for annual inflation) to a charitable remainder unitrust (CRUT), charitable remainder annuity trust (CRAT), or charitable gift annuity (CGA).⁴

4. Roth savings get a boost. Starting in 2023, employers can offer workers the choice to receive vested matching contributions directly to their Roth account, where they'll grow tax-free.² Also, Roth contributions to SIMPLE and SEP IRAs are authorized in 2023.⁵ However, we'll have to wait for the IRS and custodians to work out procedures before folks can take advantage of these new opportunities.

5. More folks can take early distributions from their retirement accounts without penalty. Starting in 2023, victims of disasters and folks who are terminally ill will be able to access their retirement accounts early without incurring a 10% penalty.⁶ There's plenty of fine print, so let's have a conversation if you think you might be eligible.

Bottom line: There's *A LOT* to unpack in the new laws. Many new rules, including changes to catch-up contributions and 529 plans, will roll out in 2024 and 2025.

As we've learned with previous new regulations, Congress might enact new laws, but we often have to wait for the IRS and other agencies to catch up before we can fully make use of them.

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Sources:

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