Buckingham

SECURE Act 2.0 Changes to Employer-Sponsored Retirement Plans

What business owners need to know

Overview

On Dec. 29, 2022, the SECURE Act 2.0 was signed into law as a part of a larger $1.7 trillion spending bill. SECURE Act 2.0 included nearly 100 changes to rules governing retirement accounts, making it difficult for individuals to figure out just how they may be impacted. To help you understand the changes that may impact your retirement savings plan, below is a summary of some of the provisions that are most likely to affect business owners. As always, we encourage you to reach out to your advisor for a more detailed discussion of how these, or other changes, may impact your personal situation.

New Employer-Sponsored Retirement Plan Options

- Beginning in 2023, employers with 50 or fewer employees can use up to 100% of start-up costs toward the retirement plan start-up credit. In addition, such employers will be eligible for a new, additional credit for employer contributions made to the accounts of non-highly-compensated employees.
- Employer plans offering special benefits to non-high-compensated military spouses are now eligible for a new credit of up to $500 per such military spouse, for up to three years per spouse.
- Retroactive to 2020, employers who joined a multiple employer plan (MEP) are eligible for the retirement plan start-up credit.
- Beginning 2025, employees with two or more consecutive years of 500 hours of service starting in 2023 or later must be eligible for participation in an employer's 401(k) or 403(b) plan.
- Beginning 2024, a new retirement plan option called a Starter 401(k) will be available. The plan will require auto-enrollment, allow only for employee salary deferrals, and have a contribution limit equal to that of an IRA.
- Roth options for SIMPLE IRAs and SEP IRAs may now be made available to employees.
- Employer matching and/or profit-sharing contributions can now be made to a plan Roth account (upon election by plan participant).
- Beginning 2024, high-wage earners (those with wages in excess of $145,000 the prior year) can only make catch-up contributions to employer-sponsored Roth accounts.

- Beginning 2024, employers can amend their plans to allow matching contributions for payments participants make for qualified student debt.
- Beginning 2025, non-exempt 401(k) plans will be required to include auto-enrollment as a plan feature.
- Beginning 2024, plan employers can make additional, profit-sharing contributions to SIMPLE IRAs that are up to the lesser of 10% of the employee's compensation, or $5,000.
- Employers and plan providers can influence participation by offering "de minimis financial incentives," such as gift cards or other enticements.
- Employees can self-certify when requesting a hardship distribution from an employer-sponsored retirement plan.