Insperity
HR that Makes a Difference®

SECURE 2.0 Act

Key Provisions Summary

PROVISION NAME	WHAT IS IT?	IS IT REQUIRED OR OPTIONAL?	WHEN IS IT EFFECTIVE?	WHO'S PLANS ARE IMPACTED	WHAT IS INSPERITY'S TAKE ON IT?
Plan startup tax credits	Small businesses may claim a tax credit for starting or joining an eligible retirement plan. Businesses with 50 or fewer employees may claim a tax credit for up to 100% of the costs of starting up a new plan (up to $5,000 per year for three years) while businesses with 51-100 employees may claim a 50% credit. In addition, small businesses with 100 or fewer employees may claim a tax credit for employer contributions up to $1,000 per employee for five years, which is reduced based on the employee count and after the second year.	Optional	1/1/23	401(k), 403(b), 457(b) and SIMPLE plans	This credit could be a significant help to our clients who are thinking about starting or joining a plan. Clients electing the Insperity 401(k) Plan may be eligible to take this tax credit going back to 2020. You should consult your tax advisor regarding eligibility to claim the credit.
Required minimum distribution (RMD) changes	Multiple changes were made to RMD rules, including: The RMD age increases from age 72 to 73 in 2023, and age 75 in 2033. Beginning in 2023, the penalty for not taking an RMD has been reduced from 50% to 25% (10% if timely corrected). Beginning in 2024, Roth contributions are not subject to RMD requirements during the participant's lifetime.	Required	1/1/23	401(k), 403(b), 457(b) and SIMPLE plans	For the participant who is concerned with outliving his retirement savings, a delay in required distributions should make managing the account less stressful.
Long-term/ part-time employee eligibility	Long-term, part-time employees who are at least age 21 and work at least 500 hours in each consecutive year must become eligible after three years beginning in 2024 and after two years beginning in 2025. Plans must permit these employees to make elective deferrals but may exclude them from employer contributions.	Required	1/1/24 for the three-year requirement and 1/1/25 for the two-year requirement	Any 401(k) that requires more than 500 hours of service to be eligible	This will allow more employees to make contributions without requiring the employer to have the additional expense of matching those contributions.
SIMPLE limits	SIMPLE plans of employers with 25 or fewer employees will have increased deferral and catch-up limits. SIMPLE plans of employers with 26-100 employees may elect the increased limits if they agree to making higher employer contributions.	Required	1/1/24	SIMPLE plans	SIMPLE IRAs and 401(k) plans have lower contribution limits than regular 401(k) plans; this allows for that gap to be slightly less.
Higher catch-up limits	Participants who are ages 60-63 may make even more catch-up contributions. For 2025, the increased catch-up limit is at least $10,000 for 401(k) plans and at least $5,000 for SIMPLE 401(k) plans.	Required for plans that permit catch-up contributions	1/1/25	All 401(k), 403(b), 457 and SIMPLE plans	This allows those participants who are nearing retirement age a chance to make even higher contributions, which should increase their chance of saving enough to retire.

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Automatic enrollment and escalation	Plans established after Dec. 29, 2022, must automatically enroll eligible employees at a percentage between 3% to 10% and automatically increase deferrals by 1% each year (up to 15%).	Required	1/1/25	401(k) and 403(b) plans set up after 12/29/22	This is the provision that is most fundamental to how plans operate today. Automatic enrollment has been shown to significantly increase participation, while automatic escalation will make it more likely that a participant saves enough for retirement.
Roth catch-up for high earners	Every participant who is eligible for catch-up contributions and earns more than $145,000 in the prior year will have to make catch-up contributions as Roth rather than pretax.	Required	1/1/26	401(k), 403(b) and 457 plans, but not SIMPLE plans	This is purely a revenue raiser provision, by taxing amounts as they are contributed rather than deferring taxation until amounts are distributed.
Roth employer	Plans may permit participants to elect Roth tax treatment for employer contributions they receive (e.g., match, profit sharing, etc.). Employer contributions given Roth treatment must be fully vested and satisfy all Roth rules.	Optional	12/30/22	401(k), 403(b) and 457(b) plans	Since this is an optional provision, it will be a plan-by-plan decision whether to allow it. It is unlikely to be an option in many plans until the IRS provides more clarity about how it will work.
Student loan match	Plans may treat student loan payments as elective deferrals for purposes of making employer matching contributions. The matching contributions must use the same rate, eligibility and vesting provisions as matching for elective deferrals.	Optional	1/1/24	401(k), 403(b), 457(b) and SIMPLE plans	Since this is an optional provision, it will be a plan-by-plan decision whether to allow it. It is unlikely to be an option in many plans until the IRS provides more clarity about how it will work.
Emergency savings accounts (ESA)	Plans may permit a participant to have a savings account within the plan of up to $2,500 maximum. The ESA must be a Roth account, invested only in a cash/principal preservation investment, and allow at least one withdrawal per month (without fees for the first four withdrawals per year). The 10% early withdrawal penalty does not apply.	Optional	1/1/24	401(k), 403(b), 457(b) and SIMPLE plans	Since this is an optional provision, it will be a plan-by-plan decision whether to allow it. It is unlikely to be an option in many plans until the IRS provides more clarity about how it will work.
Deferral-only starter plans	Employers that don't maintain a qualified retirement plan may establish a starter 401(k) or starter safe harbor 403(b). The plan must auto enroll employees at a uniform percentage between 3% to 15% (employees may opt out or change their percentage), permit only employer deferrals (i.e., no employer match or profit sharing), and limit deferrals to $6,000 per year with additional catch-up of $1,000.	Optional	1/1/24	401(k), 403(b)	This new type of plan would appeal to the employer who wants to start up a plan with automatic enrollment to encourage participation but without a match, and also without the need to satisfy nondiscrimination requirements.
Other early distribution opportunities	Plans may permit eligible participants to take distributions in one or more of the following new circumstances: terminal illness, emergencies, domestic abuse, qualified federal disaster declarations, and qualified long-term care. Each is exempt from the early withdrawal penalty if specific requirements are satisfied. Some permit repayment to the plan within specific time frames.	Optional	Various	All plan types	The rationale behind expanding distribution opportunities is to give participants reassurance that they can access their retirement savings if a need arises. It is thought this will lessen participants' concerns about saving.