

SECURE 2.0 Act of 2022

Contained in the omnibus government funding bill passed at the end of the year was the SECURE 2.0 Act, a bipartisan bill updating retirement plan statutes. The bill was signed into law on December 29, 2022. Many of the provisions are intended to encourage Americans to save more for retirement. Also, the date on which retirement plan distributions must begin is pushed out, eventually to age 75.

	DESCRIPTION	EFFECTIVE DATE
Section 101: Automatic enrollment in retirement plans	Upon becoming eligible, employees will be automatically enrolled in their employer's 401(k) or 403(b) plan. There is an exception for businesses with 10 or fewer employees.	2025
Section 107: Required Beginning Date	Changes the age to determine the Required Beginning Date for Required Minimum Distributions. There seems to be a drafting error in which those born in 1959 meet both the age 73 and age 75 definitions. This will need to be corrected in future legislation, although we do not know what form the correction may take. <ul style="list-style-type: none"> ➤ Born 1950 or earlier: April 1 of the year following the year in which the taxpayer turned age 72 ➤ Born 1951 – 1959: April 1 of the year following the year in which the taxpayer turned age 73 ➤ Born 1959 or later: April 1 of the year following the year in which the taxpayer turned age 75 	2023
Section 108: IRA catch-up contributions	IRA catch-up contributions were set at \$1,000 and did not adjust for inflation. Catch-up contributions will now be indexed for inflation in \$100 increments.	2024
Section 109: Higher catch-up contributions limit	For those who attain age 60, 61, 62, or 63 during a given year, that year's catch-up contributions for SEPs, SIMPLEs, and qualified retirement plans will be increased to the greater of \$10,000 or 50% more than the regular catch-up contribution amount. The increased amounts are indexed for inflation annually.	2025
Section 110: Student loan payments and matching contributions	Employers will be permitted to make qualified retirement plan matching contributions to employees who are not contributing to the plan if that employee is making "qualified student loan payments."	2024
Section 115: Withdrawals for emergency expenses	Qualified plan participants will be able to take a penalty-free distribution of up to \$1,000 every three years if used for emergency expenses.	2024

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Section 116: Additional nonelective contributions to SIMPLE plans	Employers will be allowed to make additional, nonelective contributions to each employee in a uniform manner. The contribution may not exceed the lesser of 10% of compensation or \$5,000 (indexed for inflation).	2024
Section 117: Contribution limit for SIMPLE plans	Raises the deferral limit and catch-up contributions for a SIMPLE plan. The increase depends on the number of employees.	2024
Section 124: ABLE programs	Increases from 26 to 46 the age by which blindness or disability must occur for an individual to be eligible for an ABLE account.	2026
Section 126: 529 distributions to Roth IRAs	Allows tax- and penalty-free rollovers from 529 accounts to the 529 plan beneficiary's Roth IRA. Capped at \$35,000 over the beneficiary's lifetime and is subject to annual Roth contribution limits. The 529 plan must have been open at least 15 years.	2024
Section 202: Qualifying longevity annuity contracts	Repeals the requirement that QLAC premiums be limited to 25% of the account balance. Increases the QLAC premium dollar limitation from \$125,000 to \$200,000 (indexed for inflation).	Date of enactment
Section 307: Qualified charitable distributions	Expands qualified charitable distributions to allow a one-time, \$50,000 distribution to certain split-interest giving trusts. Indexes the \$100,000 IRA qualified charitable distribution limit for inflation.	2024
Section 311: Repayment of birth or adoption distribution	Limits the repayment period for qualified birth or adoption distributions to three years.	Date of enactment
Section 312: Hardship distributions	Employees are generally able to self-certify that the employee qualifies for a hardship withdrawal.	2023
Section 314: Domestic abuse penalty exception	Allows retirement plans to permit participants to self-certify that they experienced domestic abuse to take a penalty-free withdrawal of up to the lesser of \$10,000 or 50% of the retirement account balance.	2024
Section 322: IRA prohibited transactions	If an individual with multiple IRAs engages in a prohibited transaction with one IRA, only that IRA is disqualified.	2023
Section 323: Substantially equal periodic payments	The Series of Substantially Equal Periodic Payments (SOSEPP) exception to the 10% early withdrawal penalty continues to apply if the account is rolled over or an annuity providing the payments is exchanged.	Date of enactment
Section 325: Roth distributions	Eliminates required minimum distributions from designated Roth accounts (often referred to as a Roth 401(k) or Roth 403(b)).	2024
Section 326: Terminal illness penalty exception	Creates a new exception to the 10% penalty for early distributions from qualified retirement plans and IRAs for someone with a terminal illness.	Date of enactment
Section 334: Long-term care insurance premiums	Allows penalty-free distributions of up to \$2,500 annually from a retirement plan to pay premiums for certain specified long-term care insurance contracts.	3 years after date of enactment

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Section 337: Special needs trusts	A special needs trust which is the beneficiary of a retirement account may name a charitable organization as the remainder beneficiary.	2023
Section 601: Roth accounts for SIMPLE and SEP IRAs	Allows SIMPLE IRAs to have a Roth account. Employers with SEP plans may allow employees to treat employer and employee contributions as Roth contributions.	2023
Section 603: Catch-up contributions	All catch-up contributions to qualified retirement plans will be treated as Roth contributions. An exception is available for employees with compensation of \$145,000 or less (indexed for inflation).	2024
Section 604: Matching contributions	Defined contribution plans can provide participants the option of treating matching contributions as Roth contributions.	Date of enactment

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