The New Retirement Rules

Highlights of the SECURE Act 2.0

Joseph G. Budd, CFP® ChFC MSFS
Managing Partner
Budd Wealth Management

725 Cool Springs Blvd.
Suite 600
Franklin, TN 37067
615-567-3056
JBUDD@BUDDWEALTH.COM
www.BuddWealth.com

BUDD WEALTH MANAGEMENT™

TOPIC	NEW RULE	COMMENTS
Required Minimum Distributions (RMDs)	1. RMDs are gradually getting pushed back from age 72 to age 75 (depending on your age). ▪ 1951–1959: Age 73 ▪ 1960+: Age 75 2. RMDs eliminated [Roth 401(k), 403(b), and 457(b)]. 3. Penalties for missed withdrawals reduced from 50% to 25% with 3-year lookback.	Changes allow investors more time to save before being forced into taking withdrawals from retirement accounts. The elimination of RMDs for certain Roth accounts now matches the rule for Roth IRAs. Now, the benefits of rolling a plan over to an IRA include investment options, fees, service, etc.
Surviving spouse beneficiaries	Surviving spouses can now adopt their deceased younger spouse's RMD schedule.	Especially beneficial if a younger spouse passes away before an older, surviving spouse. RMDs for the surviving spouse can be postponed, matching the deceased younger spouse's RMD schedule.
Age limits & IRA contributions	Investors may continue contributing to a traditional IRA past age 70½ provided they have earned income.	Those wishing to work longer have more opportunities to save and the potential to create a larger nest egg when they finally retire.
Enhanced catch-up contributions	1. Catch-up contributions (including IRAs) will automatically adjust for inflation in 2024. 2. 401(k)s and 403(b)s: catch-ups for aged 60–63 increased to the greater of $10k or 150% of regular catch-up amount (2025) 3. SIMPLE Plans: catch-ups for aged 60–63 increased to the greater of $5k or 150% of regular catch-up amount (2025)	Allows participants in IRA, 401(k), 403(b), and SIMPLE plans to contribute more to their savings each year. If you can keep setting money aside each year, you'll defer taxes and grow more savings for your retirement years.
Auto-enroll 401(k)/403(b) plans	(2025) Companies required to auto-enroll employees in 401(k) or 403(b) plans: ▪ Year 1: employer can defer your salary 3% to 10% ▪ Year 2+: maximum deferral up from 10% to 15%	To encourage and increase retirement savings, your employer will be required to auto-enroll you in their 401(k) or 403(b) plan. You'll have to opt out if you don't want to participate.

TOPIC	NEW RULE	COMMENTS
SEP and SIMPLE plans get Roth options	Roth available in SEP and SIMPLE plans	Previously, SIMPLE and SEP plans only allowed for pre-tax funds which are taxed when you make a withdrawal. Roths allow for after-tax savings.
Emergency savings	(2024) Employees can auto-enroll for emergency savings accounts offered in conjunction with qualified retirement plans. Withdrawals will be capped at $1k per year.	Allows you to regularly set aside some money for unexpected expenses using your retirement plan.
401(k) lifetime income estimate	The new rule requires that your 401(k) statements include a "lifetime income disclosure."	Shows how your total savings will translate into monthly income.
Qualified charitable distributions (QCDs)	(2024) QCD annual contribution limit of $100k will be linked to inflation.	Annual RMDs distributed from an IRA to a qualified charity will receive an annual increase if inflation rises.
529 accounts and student loans	Investors may withdraw up to $10k from 529 education savings plans to repay student loans.	Allows investors to use 529 funds instead of retirement savings to repay student loans.
529 transfers to Roth IRAs	(2024) Parents can roll over up to $35k (lifetime) of 529 college funds into a beneficiary's Roth IRA.	May make it easier to save for your child's education and jump-start their retirement savings.
Long-Term Care Insurance (LTCi) option	Employees can withdraw $2.5k annually from their company's retirement plan penalty free to pay for long-term care insurance (LTCi).	Offers flexibility to use retirement dollars (before age 59½) to fund LTCi to protect against the high cost of an unplanned, critical illness.
Inherited IRAs	With certain exceptions, non-spouse beneficiaries of IRAs (including Roth IRAs) must liquidate the accounts within 10 years.	Eliminates the "stretch" IRA which allowed younger beneficiaries to take distributions over their lifetimes vs. the new 10-year limit.