

SECURE 2.0 Act Changes 401(k), IRA, Roth, Other Retirement Plan Rules

The SECURE 2.0 Act makes major changes to retirement savings plans. Here's what you need to know.



(Image credit: Getty Images)

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LAST UPDATED FEBRUARY 22, 2023

The SECURE 2.0 Act is expected to reshape retirement tax incentives for years to come since the retirement savings law makes numerous changes to existing retirement account rules. That includes (but is not limited to), 401(k), 403(b), IRA, and Roth accounts, and some related tax breaks. And those changes, which are designed to encourage more workers to save for retirement, could impact *your* retirement savings and personal finances.

SECURE 2.0 Act Summary

There are nearly 100 provisions in the SECURE 2.0 Act that cover all types of retirement savings plans. Some of those provisions, which are in place now or will become effective in the coming year, or years, are briefly highlighted in this SECURE 2.0 Act summary.

When RMDs Are Required

RMD Age Delay. Under the law as it stood before SECURE 2.0, you generally had to take required minimum distributions (RMDs) from your retirement plan beginning at age 72. SECURE 2.0 increases the required minimum distribution age to 73 beginning January 1, 2023. **However, if you turned 72 during 2022, you must take your first RMD by April 1, 2023.**

The bump to age 73 is a [key RMD change this year](#), but then in ten years, the RMD age will move to 75.

[Delays in the age for taking RMDs](#) raise tax implications and can present practical challenges. The latter can be particularly significant for lower-income retirees, who typically use RMDs to cover living expenses. As a result, it is important to consider how SECURE 2.0 RMD changes could impact you, and plan accordingly.

RMDs and Roth 401(k)s: Beginning next year (in 2024), the SECURE 2.0 Act also eliminates RMDs for qualified employer Roth plan accounts. Previously, there was a difference in the rules that applied to Roth 401(k) accounts in employer plans versus Roth IRAs (i.e., the latter were not subject to required minimum distributions).

401(k) Financial Incentives

Small Incentives to Contribute to a Retirement Plan: The Secure 2.0 Act allows your employer to offer small financial incentives (e.g., low-dollar gift cards) to help

boost employee participation in a workplace retirement plan. This provision is now effective since it applies to plan years after December 2022.

401(k) and 403(b) Hardship Withdrawals

Emergency Expense Distributions. Beginning in 2024, under the SECURE 2.0 Act, you will be allowed to take an early “emergency” distribution from your retirement account to cover unforeseeable or immediate financial needs.

That emergency distribution of up to \$1,000, could only be taken once during the year, but won't be subject to the usual additional 10 percent tax that applies to early distributions. But: if you choose not to repay the distribution within a certain time, you won't be allowed to take other emergency distributions for three-years.

Other hardship withdrawals are provided for in the SECURE 2.0 Act including for [403\(b\) plans](#). (Currently, distribution rules for 403(b) and 401(k) plans are different, so SECURE 2.0, 2022, would conform those rules.)

Also, under SECURE 2.0, penalty-free withdrawals, on small amounts of money from retirement plans in cases involving domestic abuse, will be allowed.

401(k) Automatic Enrollment

Automatic Enrollment in Retirement Plans. Beginning in 2025, the SECURE 2.0 Act expands automatic enrollment in retirement plans. The rationale for this is that [automatic enrollment in 401\(k\) plans](#) has been shown to increase participation. With some exceptions for small businesses, the Act requires 401(k) and 403(b) plans to automatically enroll eligible participants, who will then be able to opt out of participation, if desired.

SECURE Act 401(k) Contribution Limits

Higher Catch-up Contribution Limit. Right now, if you are 50 or older you can make [catch-up contributions](#) to your retirement plan up to certain limits. SECURE 2.0 increases those limits, beginning in 2025, to the greater of \$10,000 or 50 percent more than the regular catch-up amount if you are 60, 61, 62, or 63 years old. After 2025, those amounts will be indexed for [inflation](#).

Also, beginning in 2024, the SECURE 2.0 Act rules impact how eligible workers with incomes over \$145,000, make catch-up contributions. (The income threshold will be adjusted for inflation.)

Catch-Up Contributions to Retirement Accounts Boosted by SECURE Act 2.0.

SECURE Student Loan 401(k) Match

Employer Fund Match for Student Loan Payments. Under the SECURE 2.0 Act, your employer can make a matching contribution to your retirement plan account based on your [student loan](#) payment amount. This is designed to address the fact that high student loan debt can keep people from saving for retirement. This will become effective in 2024.

Note: Student loan payments are on pause until at least June 2023 and [student loan debt forgiveness is currently on hold](#) due to court challenges. But the U.S. Supreme Court will hear arguments on the issue and a decision is expected in June.

SECURE 2.0 529 Plan Changes

Roth Rollover Option for 529 Plans. Beginning in 2024, SECURE 2.0 changes 529 plan rules. In limited circumstances (i.e., there are a lot of requirements that must be met including that the Roth IRA account must be in the name of the 529 plan beneficiary), some people may be able to rollover a 529 plan that they have maintained for at least 15 years to a Roth IRA.

Annual limits for the rollover would have to be within the annual contribution limit and there will be a \$35,000 lifetime limit on what can be rolled to the Roth IRA.

Saver's Credit to Saver's Match

Saver's Match. Beginning in 2027, the SECURE 2.0 Act replaces the nonrefundable Saver's Credit for certain IRA and retirement plan contributions with a federal matching contribution that is deposited into your IRA or retirement plan. The so-called [saver's match](#) will be 50% of IRA or retirement plan contributions up to \$2,000 per person. However, some income limits, and phase-outs, will apply.

Retirement Saver's Tax Credit Converted to "Saver's Match."

Find Lost 401(k) Accounts

Retirement Savings "Lost and Found." Have you ever lost track of your 401(k)? Well, the SECURE 2.0 Act enables the creation of a searchable database to help people find retirement benefits that they lost track of. The retirement savings "lost and found" will be housed at the Department of Labor and be created within the next two years.

Data show that millions of 401(k) accounts are regularly forgotten, amounting to nearly a trillion dollars in unclaimed retirement benefits.

Part-Time Workers and Other SECURE Act Retirement Plan Changes:

The SECURE 2.0 Act contains many more provisions that could impact your retirement savings account (and in turn, potentially your taxes and tax breaks).

Some of those provisions involve everything from part-time worker access to employer retirement plans, and small business tax credits, to [contributions to SIMPLE](#), and SEP plans. Other provisions address issues surrounding stock ownership and savings bonds.

