

SECURE 2.0 Act of 2022 Insights



Understanding the impact SECURE 2.0 Act of 2022 has on retirement plan clients is important to your role as a retirement plan fiduciary. Here's a quick recap of what you need to know.

What it does

Encourages more employers to offer **retirement plan benefits** and more employees to **participate in saving for their future**



Updates and adds new retirement account provisions, including:

- Automatically enrolling eligible employees
- Expanding catch-up contributions
- Allowing participants to withdraw up to \$1000 penalty-free for emergency expenses

Why it matters:

The good news

It's easier and more affordable than ever for a small business to start a retirement plan:



Tax credits for up to 100% of plan start-up and administrative costs for the first three years; up to the greater of \$500 or \$250 times the number of eligible non-highly compensated employees up to \$5,000 (minimum \$500)

Up to \$1000 additional annual tax credit per employee to small businesses for employer contributions to defined contribution plans

Starter-k

Allows for a deferral-only plan with lower contribution limits that automatically passes non-discrimination and top-heavy testing

- No required matching contribution
- Annual contributions limited to \$6000
- Eligible employees automatically enrolled at 3%
- Additional catch-up contributions available for employees 50 and older
- Beginning in 2024



What's in it for plan participants



- Increases the annual catch-up contribution amount for participants ages 60-63 to **\$10,000**, beginning in 2025
- Increases the age for required minimum distributions from **72 to 73 in 2023** and up to **75 in 2033**
- **Expedites eligibility** for long-term, part-time workers to participate in a plan **after two years**

For the most comprehensive insights on SECURE 2.0 Act, please contact your licensed ADP Retirement Services Plan Specialist or visit us at adp.com/advisors.

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