



Secure Act 2.0

401(k) & Employer Updates

Introduction & Disclaimer

Secure Act 2.0 is a major piece of legislation that has the potential to significantly impact retirement savings for individuals and businesses. This content is general in nature and is for informational purposes only. It should not be used as a substitute for specific tax, legal and/or financial advice that considers all relevant facts and circumstances. We encourage you to reach out to us with any questions you may have about the Secure Act 2.0 and how it may affect your personal or business plans.

401(k) & Employer Related Changes & Updates

New 401(k) Retro-Deferral Rules for Sole Proprietors

Details: Effective 2024, sole proprietors who establish new plans can make retroactive salary deferrals for prior year.

Opportunity: Allows sole proprietors to focus on closing out a tax year without foregoing a deferral opportunity. Provides for a more thoughtful evaluation and implementation of a solo 401(k). Evaluation of implementing a solo 401(k) early in the year should be discussed.

Increased Catch-Up Contributions for Individuals Ages 60-63

Details: Starting in 2025, individuals aged 60-63 will be able to make annual catch-up contributions to the greater of: \$10,000 or 150% of regular catch-up contribution amount for 2024, indexed for inflation. Catch-up contributions for income earners over \$145k in the prior calendar year will have to make contributions to a Roth account.

Opportunity: Additional tax-deferred savings opportunity for investors. Anecdotally, we see clients redirect savings from their retirement to their children's education in their 40's and 50's. This gives those clients an opportunity to catch-up on their retirement savings during their peak earning years. Clients in this life stage should revisit their retirement savings strategy.

Employer Contributions Eligible for Roth Contributions

Details: Effective immediately, employer matching and non-elective contributions for qualified plans are eligible for Roth contributions. Roth employer contribution amounts must be 100% vested.

Opportunity: This new opportunity allows employees to direct their employer matching contributions to a Roth account. Qualified plan participants now must weigh the advantages and disadvantages of directing their employers' contributions to either traditional or Roth accounts. Roth contributions are not available for profit-sharing contributions.

Emergency Expense Distributions from 401(k) & 403(b)

Details: Beginning in 2024, employees will be allowed to take an early “emergency” distribution of up to \$1,000 and avoid the 10% penalty.

Opportunity: Allow employees the ability to access funds without having to take loans and avoid high-interest options during emergencies. However, promoting a 401(k) as an emergency fund could create challenges for future retirees.

Automatic Enrollment & Automatic Plan Portability

Details: Starting in 2025, new 401(k) and 403(b) plans will automatically enroll eligible employees at 3% contribution rates. It also permits retirement plan providers to offer automatic portability services for employees that are moving to a new employer plan.

Opportunity: Streamlines enrollment process and helps ensure employees are saving for retirement. Low balance participants typically cash out their retirement savings, however, the automatic plan portability would provide a simplified option to encourage them to continue their retirement savings.

Employers Matching of Student Loan Payments

Details: Starting in 2024, employers can “match” payments to an employee’s retirement account with the participant’s payments to their student loans.

Opportunity: Gives employees the opportunity to save for retirement and pay off student loans. This is a benefit employers can provide to attract new talent with student loan obligations. Participants are forgoing their salary deferrals into their retirement savings, reducing the advantages of early compounding and long-term growth. Retirement planning objectives and debt management should be evaluated.

[Click to Learn More](#)

WPWealth Leaders



Bill Weston

Partner



Shane Miller

Partner



www.wpwealth.com