

Important Changes to Retirement Accounts/Plans in SECURE 2.0 Act

The 350-page SECURE ACT 2.0, which makes a myriad of changes to individual and employer retirement plans, was part of the \$1.7 trillion spending bill that was signed into law by President Biden at the end of December (H.R. 2617, the “Consolidated Appropriations Act, 2023”) to continue the funding of the government through 2023.

This legislation was complex and confusing due to the volume of changes and the variability in effective dates. *While this piece will highlight some of these changes at a macro level, please contact us if you desire more detailed information or wish to discuss any changes which may affect you individually.*

Highlights of Changes in the SECURE Act 2.0

1) Required Minimum Distribution (RMD) Age Pushed Back

- Beginning January 1, 2023, the starting age will rise from 72 to 73.
- The age will be increased to 75 in 2033.

2) New Options for Surviving Spouse Beneficiaries

- Surviving spouses will be able to elect to be treated exactly as though they were the deceased spouse, which means that RMDs would be delayed until the deceased spouse would have reached RMD age and beneficiaries of the surviving spouse will be treated as though they were the original beneficiary of the account.

3) Increased Catch-Up Contributions Amount

- Beginning in 2024, IRA catch-up contributions, which have been stuck at \$1,000 for more than 15 years, will be adjusted for inflation on an annual basis.
- Beginning in 2025 individuals between 60 and 63 can contribute the greater of \$10,000 or 50% more than the standard catch-up amount to their defined contribution plan.

4) New Rules for Qualified Charitable Distributions (QCDs)

- The maximum annual distribution that can qualify as a QCD will now be adjusted for inflation and individuals will have the ability to make a one-time QCD to a Charitable Remainder Trust (CRUT), Charitable Annuity Trust (CRAT) or Charitable Gift Annuity (CGA) of up to \$50,000.

5) 529s are Eligible for Rollover to Roth IRA

- Beneficiaries of 529s can rollover up to \$35,000 from their 529 account to their Roth IRA starting in 2024.

6) Changes Related to Roth Accounts

- Beginning this year, employers can include Roth options in SIMPLE IRA and SEP IRA plans.
- Beginning in 2024, Roth 401(k) and 403(b) Plans will no longer be subject to RMDs, and highly compensated employees (pay greater than \$145,000, indexed to inflation) will be able to make catch-up contributions to the Roth side of the plan.

7) Automatic Enrollment in 401(k) and 403(b) Plans

- Employers are required to automatically enroll new hires in 401(k) and 403(b) plans.
- This begins in 2025 but employees may opt out.

Many of other changes in the ACT are plan-related changes, but some could impact small business owners who are looking to establish or change an existing plan, as well as the end-clients who participate in the plans.

Cygnus Asset Management, LLC is not a registered broker/dealer and is an independent of Raymond James Financial Services. Securities are offered through Raymond James Financial Services, Inc. Member FINRA/SIPC. Investment Advisory Services are offered through Raymond James Financial Services Advisors, Inc.

Any opinions are those of Cygnus Asset Management and not necessarily those of RJFS or Raymond James. The information contained does not purport to be a complete description of the securities, markets, or developments referred to in this material. There is no assurance any of the trends mentioned will continue or forecasts will occur. The information has been obtained from sources considered to be reliable, but Raymond James does not guarantee that the foregoing material is accurate or complete. Any information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation. Investing involved risks and you may incur a profit or loss regardless of strategy selected.

Cygnus Asset Management, LLC | 6805 Carnegie Boulevard, Suite 380 Charlotte, NC 28211 | (704) 926-9800 | www.cygnusam.com

