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SECURE 2.0 Act FAQs

The SECURE 2.0 Act was signed into law as part of a larger omnibus appropriations bill on December 29, 2022. It contains several provisions that will impact many, if not all, American retirees and preretirees.

As with many sequels, SECURE 2.0 generated headlines but has arguably less substance than its predecessor. The majority of its provisions aren't paradigm-shifting but may be impactful for you or your business.

Here is a brief overview of some of the most impactful sections of SECURE 2.0.

Withdrawal rules

Is the required minimum distribution (RMD) age pushed back yet again?

Yes, for some people. Individuals who turn age 72 after December 31, 2022, and age 73 before January 1, 2033, now don't have to begin taking RMDs until age 73. The RMD age will be pushed back again in 2033. **(Editor's note: There appears to be a drafting error in the language of the bill regarding the RMD age in 2033, so be prepared for a technical correction in the future.)**

Are there new rules around penalty-free withdrawals from retirement accounts?

Yes, SECURE 2.0 clarifies and provides for additional exceptions to the 10% penalty for early distributions—including emergency expenses up to $1,000 per year, which can be repaid within three years (effective January 1, 2024), terminal illness, and domestic abuse.

Is the penalty for missed RMDs still 50%?

No, the bill reduces the penalty for missed RMDs to 25%. If corrected in a timely manner, the excise tax is reduced to 10%.

Does annuitization still remove annuitized payments from the RMD calculation?

No, SECURE 2.0 clarifies that annuitized payments may count toward RMDs due from a particular retirement account.

Is the maximum qualified charitable distribution (QCD) amount still $100,000?

For now, yes, but beginning in 2024, the QCD limit will change for the first time ever and be linked to inflation.

Are there any new rules related to inheriting IRAs like in the first SECURE Act?

Yes, and this time it's good news for surviving spouses. When a surviving spouse inherits an IRA from their spouse—in addition to their previous options—they now have the option to be treated as the deceased spouse for RMD purposes. This means that the surviving spouse can:

- Delay RMDs until the deceased spouse would have reached their RMD age and
- Calculate RMDs using the life expectancy table for owners (read: generally smaller RMDs)

And if the surviving spouse passes before RMDs begin, their beneficiaries will be treated as though they were the original beneficiaries, potentially preserving the stretch option if the beneficiaries are eligible designated beneficiaries.

Are Roth accounts impacted?

Yes. SECURE 2.0 has multiple provisions relating to Roth accounts:

- Beginning in 2024, RMDs will no longer be required from Roth accounts in employer plans, bringing them in line with the RMD rules for Roth IRAs.
- Employers are now permitted to offer Roth accounts for simplified employee pension plans (SEPs) and SIMPLE IRAs.
- Employers can now make matching or nonelective contributions into employees' designated Roth accounts, like Roth 401(k)s.
- However, starting in 2024, high earners making catch-up contributions to employer-sponsored plans must make them on a Roth basis, meaning that these catchup contributions will be taxable.

Is there anything related to long-term care?

Yes. Starting in 2026, SECURE 2.0 enables retirement plan participants to take penalty-free withdrawals of up to the lesser of 10% of their vested balance, or $2,500 (adjusted for inflation) each year to pay for long-term care insurance premiums.

Have the rules for qualified longevity annuity contracts (QLACs) changed?

Yes. The bill removes the 25% limit on retirement assets that could be used to fund a QLAC and increases the dollar amount cap to $200,000 indexed.

Contribution rules

What about IRA contributions?

The $1,000 catch-up limit has not changed since 2006. Beginning in 2024, the IRA catch-up contribution limit will once more be indexed for inflation.

Are retirement plan catch-ups impacted?

Beginning in 2025, some retirement plan participants will find an increase in their catch-up contribution cap. Participants who are ages 60–63 will have their catch-up limit increased to the greater of $10,000 or 150% of the regular catch-up contribution amount for such plans in 2024.

In 2025, participants in SIMPLE plans who are ages 60–63 will have their catch-up contribution limit raised to the greater of $5,000 or 150% of the SIMPLE catch-up contribution amount for 2025. There's some math to be done there, but rest assured that Jackson will publish follow-up notices on these amounts as they become available.

To explore how the SECURE 2.0 Act may impact you, reach out to your financial professional today.

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