BUSINESS

ENJOYING THE RIDE

DOES THE SECURE ACT 2.0 AFFECT YOUR RETIREMENT PLANNING?

BY BRANT WIEHARDT
EBS CONTRIBUTOR
SPONSORED ARTICLE

You may want to review your retirement planning strategies because of key provisions in the SECURE Act 2.0, which was signed into law in December 2022.

Currently effective:

Do you need to take required distributions from your retirement accounts?

The act increased the required minimum distribution (RMD) age to 73. The RMD age is scheduled to increase to 75 in 2033.

Does making qualified charitable distributions (QCDs) make sense?

QCDs are available to those age 70½ or older and have a Traditional IRA and/or Traditional Inherited IRA. Now, you may distribute a one-time $53,000 QCD paid directly from your IRA to certain split-interest entities that qualify. The distribution will be considered part of the $105,000 QCD annual limit (both amounts are adjusted for inflation). The rules governing which split-interest entities are allowed to receive the one-time $53,000 amount are complex, so consult a planning or philanthropic specialist who can provide more information.

Should you direct employer matching contributions to your before-tax qualified retirement plan (QRP) account or designated Roth account?

Your employer may now offer you the option to receive vested matching contributions in a QRP designated Roth account instead of a QRP before-tax salary deferral account. Contributions to a designated Roth account are made with after-tax dollars, and qualified distributions are tax-free.

Should you delay taking distributions from a designated Roth account?

Previously, if you had a Roth IRA, you were not required to take RMDs while you were alive, but you did have to take them from a designated Roth account in a QRP. Now, you no longer have to take RMDs from either type of Roth account.

Would a 529 plan designated beneficiary get a head start on saving for retirement by transferring their unused balance to a Roth IRA?

A 529 plan designated beneficiary may be eligible to have a direct rollover contribution made on their behalf from their 529 plan to a Roth IRA, if certain conditions are met (state laws may vary). Distributions are subject to annual Roth contribution limits, the 529 beneficiary must have equivalent earned compensation, and the aggregate distributions are limited to a $35,000 lifetime amount.

To qualify, the 529 account must have been in existence for at least 15 years and the amount rolled over to the Roth IRA may not exceed the aggregate amount contributed (plus earnings) before the five-year period ending on the transfer date.

Will you get credit for your student loan payments?

If you are paying off qualified student loans, your employer has the option to match your loan payments with contributions to a retirement account, offering you an additional incentive to save for retirement. For this purpose, matching contributions can be made into a 401(k), 403(b), governmental 457(b), or SIMPLE IRA plan if your employer chooses to offer this feature.

Should you take advantage of employer-sponsored emergency savings accounts linked to individual account plans?

Your company has the option to automatically sign you up for an emergency savings account for up to 3% of your salary or up to $2,500, indexed for inflation, to your retirement plan if you earn less than a certain amount of money. These contributions can be made on an after-tax basis with the potential for an employee match. If your company participates, you are allowed at least one withdrawal per month and the first four withdrawals in a year cannot be subject to any plan fees.

Starting Jan. 1, 2025

Should you take advantage of higher retirement catch-up contributions?

Currently, if you're age 50 or older and want to increase your tax-advantaged retirement savings, you can make an additional $8,000 contribution annually to your QRP and $3,500 to a SIMPLE IRA.

Beginning in 2025, if you're aged 60 – 63, you will be able to increase that amount to the greater of $10,000, indexed for inflation, ($5,000, indexed for inflation, for a SIMPLE IRA) or 150% of your catch-up contributions for the year.

Beginning in tax years after December 31, 2025, if your wages exceed $145,000 in the preceding calendar year, indexed for inflation, you will be required to make your catch-up contributions to a designated Roth account.

Brant Wiehardt is an Associate Vice President and Financial Advisor at Shore to Summit Wealth Management. He currently works and lives in Bozeman, MT with his wife and children.
Wells Fargo & Company and its affiliates do not provide legal or tax advice. This communication cannot be relied upon to avoid tax penalties. Please consult your tax and legal advisors to determine how this information may apply to your own situation. Whether any planned tax result is realized by you depends on the specific facts of your own situation at the time your tax return is filed.

This article was written by Wells Fargo Advisors Financial Network and provided courtesy of Brant Wiehardt – Associate Vice President Shore to Summit Wealth Management in Bozeman, MT at 406-219-2900.

Investment products and services are offered through Wells Fargo Advisors Financial Network, LLC (WFAFN), Member SIPC. Shore to Summit Wealth Management is a separate entity from WFAFN.