Secure Act 2.0

SUMMARY FOR EMPLOYERS & BUSINESSES

CPAlliance™ POWERED BY CPS Investment Advisors

Expanding Coverage and Increasing Retirement Savings is the official title of the second part of two Acts meant to make retirement savings for Americans easier as well as providing cost offsets for businesses.

Below are some excerpts from the 4,000+ page document and summary descriptions of those changes. Although these are only a few of the changes passed into law for businesses, consult with your trusted advisor for your specific situation.

SUMMARY	
AUTOMATIC ENROLLMENT PROVISION	For employers of eleven or more employees, employees are automatically enrolled upon eligibility of the employer's 401(k) plan and the automatic deferral must be at least 3% and increase 1% each year until 10% is reached or unenrolled by the employee.
START-UP CREDIT TO ADOPT A RETIREMENT PLAN	This applies to new plans only and is effective after December 31, 2023. A credit is available to employers with 50 employees or less to help subsidize start-up costs of a retirement plan for 50% of costs for the first three years; capped at $5,000 per year.
WHAT FEES WILL I PAY?	Investment services fees are calculated on assets under management or a fixed fee basis. Fees for financial planning and consulting will be charged either on an hourly basis or fixed fee basis. CPS may waive the financial planning and consulting fee for those clients who select CPS Investment Advisors for investment advisory services.
STUDENT LOAN PAYMENT PROVISION	Qualified student loan payments will be counted as employee deferral thus allowing employers to make matching contributions based on those qualified payments. This provision is for plan years beginning after December 31, 2023.
STARTER 401(K) PLANS PROVISION	Permits an employer that does not sponsor a qualified retirement plan to implement a starter 401(k) plan. This requires all employees be automatically enrolled with a deferral rate between 3% and 15% up to the limit equal to the IRA contribution limit for that year.

PART-TIME EMPLOYEE ELIGIBILITY CHANGE	Current law defines part-time workers as those with work of at least 1,000 hours or 500 hours in a three consecutive 12-month period. The new provision reduces that eligibility period to two years. This change is effective for plan years beginning after December 31, 2024.
EMPLOYEE SELF-CERTIFICATION FOR HARDSHIP	Under current law, hardship withdrawals made from a qualified retirement plan must be documented and submitted. The new provision allows for the plan sponsor to rely on the employee to self-certify their hardship without documentation.
SOLO 401(K) PLAN CHANGES	Current law requires a qualified plan to be established before the end of the business' tax year. The new provision allows a plan's establishment before the due date of the business' tax return for sole proprietors and single-member LLCs. The plan must be established and funded before the original filing date not including extensions.
OPTION TO TREAT EMPLOYER CONTRIBUTIONS AS ROTH CONTRIBUTIONS	Under current law, employer contributions to a qualified retirement plan must be made on a pre-tax basis. The new provision permits a plan sponsor to give participants the option of receiving employer contributions as Roth contributions. If chosen, these employer Roth contributions will be counted as wages to the plan participant and tax-deductible as wages to the employer.
SIMPLE IRA REPLACEMENT PROVISION	Permits an employer to terminate its SIMPLE IRA plan during the year as long as the employer replaces it with a safe harbor 401(k) plan as of the date of termination.
INCENTIVE TO PARTICIPATE PROVISION	Permits a "de minimus" financial incentive made by the employer to encourage plan participation. The expense must not come from plan assets. The Senate Finance Committee contemplated something like "low-dollar gift cards." This is effective December 29, 2022.