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House Passes Secure 2.0 Bill – Securing a Strong Retirement Act of 2022

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While not yet a law, and on its way to the Senate, a bill passed by the House of Representatives addresses retirement accounts for Americans – and may be helpful for middle- and high-income earners. What does it do? Let's take a look…

Age for Required Minimum Distributions - As many of us already are aware, IRA and other retirement vehicles require distributions once you approach a certain age. A few years ago, that age was 70.5, then increased to 72. The proposal now is to increase the age again – to 75. This can assist the middle- and upper-class taxpayers to allow their nest eggs to increase tax deferred for an additional three years.

Increased Catch-Up Limits - Taxpayers over the age of 50 are entitled to extra contributions into their 401k or IRA. Proposed is an increase to the usual catch-up amounts for those aged 62, 63 and 64 from $6,500 to $10,000.

Qualified Charitable Distribution (QCD) Limits - While not used by everyone, a distribution out of a retirement account directly to a qualified organized charity can be an effective way to satisfy the minimum required distributions from an IRA and gain a reduction of taxable income due to the distribution not being subject to income tax. Currently the limit allowed for such special treatment is $100,000 a year ($200,000 for married individuals). The changes proposed would index that $100,000 (or $200,000) limit for inflation. Another twist to Secure 2.0 includes a provision to allow a one-time transfer of up to $50,000 to a charitable gift annuity or charitable remainder trust.

401(k) Plan Administration Changes - Secure 2.0 would require plans to administer an "auto-enrollment" requirement meaning employees would automatically be enrolled to participate in their company plan unless they opt-out.

Student Loan Payments - Also, in a change to 401(k) plan administration, the proposed bill would force employers to treat student loan payments as if they were 401(k) contributions and require the company to match these deemed "contributions".

As this bill moves forward, Spielman Koenigsberg & Parker, LLP will work to keep you informed so that you can make smart economic decisions to complement tax and estate planning. If there are any items that catch your interest, or if you would like further guidance, please reach out to your SKP representative.