

What's new in 2024 for individuals from Secure 2.0 Act of 2022



Wealth
Management

On December 29, 2022, Secure 2.0 Act was signed into law. Detailed below are new provisions that impact individuals and go into effect on January 1, 2024.

Indexing IRA catch-up limit

Under current law, the limit on IRA contributions is \$1,000 (not indexed) for individuals who have attained age 50. For taxable years beginning on January 1, 2024, this limit will be indexed in \$100 increments each year.

Withdrawals for certain emergency expenses

One penalty-free withdrawal of up to \$1,000 per year will be allowed for unforeseeable or immediate financial needs relating to personal or family emergency expenses. This provision applies to IRAs, 401(k) plans, 403(b) plans and 457 plans. The withdrawal may be repaid within three years. Only one withdrawal per three-year repayment period is permitted if the first withdrawal has not been repaid.

Roth plan distribution rules

Under current law, required minimum distributions are not required to begin prior to the death of the owner of a Roth IRA. However, pre-death distributions are required in the case of the owner of a Roth designated account in an employer retirement plan (e.g., 401(k) plan). For taxable years beginning January 1, 2024, the required minimum distribution requirement for Roth accounts in employer plans is eliminated.

This provision does not apply to distributions that are required with respect to years beginning before January 1, 2024, but are permitted to be paid on or after such date.

Rolling a 529 plan account to a Roth IRA

Secure 2.0 Act allows for 529 qualified tuition program accounts to be rolled to a Roth IRA. Parameters of this provision are:

- The beneficiary of the 529 plan must also be the owner of the Roth IRA
- The 529 plan account needs to be maintained for at least 15 years prior to the rollover to the Roth IRA
- The rollover is subject to the annual Roth IRA contribution limits
- The Roth IRA owner must have includible compensation at least equal to the amount of the rollover
- There is a lifetime rollover limit of \$35,000

RBC WM is awaiting further guidance from the IRS and Congress on how to account for the 15 year holding period for the 529 plan account. Once received, we will communicate the new information.

Clarification of substantially equal periodic payment (SEPP) rule

Secure 2.0 Act gives clarification of the substantially equal periodic payment (SEPP) rule. The exception from the 10% early withdrawal penalty for SEPP will continue to apply in the case of a rollover of the account, an exchange of an annuity providing the payments, or an annuity that satisfies the required minimum distribution rules as long as the integrity of the SEPP payments is maintained.

Catch-up contributions for high wage earners

Catch-up contributions for any participant who earned at least \$145,000 in FICA wages from the employer maintaining the plan must be designated as Roth contributions. In 2025, participants who are 50 years old or older can contribute an additional \$7,500 to their plan, making their total deferral limit \$31,000. While the mandatory Roth requirements under the final regulations generally apply to taxable years beginning after December 31, 2026, the final regulations state that the Roth catch-up requirement applies for taxable years beginning on or after January 1, 2026. However, prior to 2027, plans are

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allowed to implement the Roth catch-up provision in accordance with a reasonable, good-faith interpretation of the statutory provisions.

Plan sponsors are not required to adopt Roth contributions within their plan and can allow catch-up eligible participants who earn under \$145,000 annually to make catch-up

contributions but not permit catch-up eligible participants who earn over that threshold.

Please note: Since FICA wages are reported on Form W-2, this provision does not apply to 1) self-employed individuals, 2) FICA alternative plans and 3) self-employed ministers.

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