2024 - SECURE Act 2.0's official arrival

January 8, 2024

Take-Away: The SECURE Act 2.0 provided us with many new provisions which became effective on January 1, 2024.

Background: While the SECURE Act 2.0 was enacted in late 2022, many of its new provisions did not become effective until January 1. 2024. A few of the Act's 90 provisions are summarized below which became effective this calendar year.

1. IRA Catch-Up: IRA catch-up contributions for those age 50 and older are now indexed for inflation.
2. QCDs: The $100,000 limit on a qualified charitable distribution (QCD) from an IRA by a person 70 1/2 years and older is now indexed for inflation. The QCD maximum for 2024 is $104,000.
3. Student Loans: A qualified plan can have employer-matching contributions when the plan participant makes student loan payments.
4. Emergency Expenses: There is an exception to the 10% excise tax for early distributions (before age 59 1/2) for emergency expenses from qualified plans or IRAs. The maximum distribution amount is $1,000 per year.
5. Emergency Savings: There is an exception to the 10% excise tax for early distributions (before age 59 1/2) for qualified plans if the employer-sponsor adds this provision onto a 401(k) plan. The maximum deferral under this exception when funds are withdrawn is $2,500.
6. Domestic Abuse: There is an exception to the 10% excise tax for early distributions (before age 59 1/2) for victims of domestic abuse. This exception applies to distributions from qualified plan accounts or IRAs. The maximum distributed amount is $10,000 for domestic violence related expenses. The withdrawn funds can be recontributed within the following 3 years and they will not be treated as excess contributions.
7. SIMPLE IRAs: 2024 brings higher SIMPLE IRA plan contribution limits for deferrals, catch-up contributions, and nonelective contributions.

8. 529 Rollovers: Rollovers of amounts from a 529 account to a Roth IRA are now permitted, but the maximum lifetime amount available for this rollover is only $35,000.
9. Roth RMDs: Roth 401(k) accounts will no longer have annual required minimum distribution (RMD) obligations. In short, a Roth 401(k) will be treated the same as a Roth IRA with no annual RMD.
10. Surviving Spouses: A surviving spouse can now elect to be treated as their deceased spouse for purposes of delaying distributions from the deceased spouse's retirement account until the deceased spouse would have attained his/her required beginning date (RBD.) This requires an affirmative election by the surviving spouse, and it also requires the deceased spouse's life expectancy to be used to calculate RMDs once they begin (not the surviving spouse's life expectancy.) Regulations are desperately needed to explain this new election option for a surviving spouse.

Conclusion: These are just some of the more important rules that are now effective starting this calendar year. Most have been previously covered in earlier missives, but this should serve as a helpful reminder that there are new rules to learn and apply when we now advise retirement account owners.