How Will The SECURE 2.0 Act Affect My Retirement Savings In 2024?

By: Exchange Capital Management
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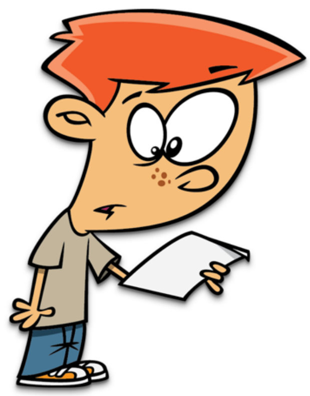

In December 2022, the SECURE 2.0 Retirement Savings Act made its debut, introducing more than 90 changes to help Americans save for retirement. While some adjustments, like tweaks to the Required Minimum Distribution (RMD) age, are already happening this year, some changes are slated to begin in 2024 and beyond.

What Changes Will Start in January?

Employer-sponsored Retirement Plans

Roth 401(k) Required Minimum Distribution (RMD) Rule: If you have a 401(k) or Traditional IRA, you're probably familiar with RMDs starting at age 73. Fortunately, Roth 401(k)s will no longer be subject to the RMD requirement under the new law.

Student Debt Relief Through Your Retirement Plan: It's no secret that student loan debt can be a roadblock when saving for retirement. Beginning January 2024, qualified student loan payments will be eligible for employer-matching contributions to retirement plans.

Here's how it works: If you're making a monthly payment toward your student loans, your employer can opt to treat it as an elective deferral. If your employer chooses, they'll match your payment and contribute it to your retirement plan. It's a win-win situation – tackling student loans while boosting your retirement savings.

Retirement Account Withdrawals for Financial Hardship: In times of financial hardship, you'll have the option for a penalty-free emergency distribution of up to $1,000 annually from your retirement account. Under these circumstances, you have three years to pay the money back. Non-repayment will result in the suspension of future hardship withdrawals.

Those experiencing domestic abuse can also make penalty-free withdrawals up to $10,000 or 50% of the vested balance, whichever is less.

Mandatory Rollover: If your former employer-sponsored retirement plan holds $5,000 to $7,000, your previous employer can now roll over your account into an IRA.

529 Accounts

Funds in 529 accounts can be rolled to a Roth: It's hard to know exactly how much money you'll need for college, often resulting in leftover 529 funds. To ensure this money doesn't get left behind, you can now transfer it to the beneficiary's Roth IRA without taxes or penalties. Here's what you need to know:

- The 529 plan must have been open for at least 15 years
- The amount being transferred was contributed to the 529 plan at least five years prior
- You need to follow the Roth annual contribution limit ($6,500 in 2023)
- The total lifetime maximum for a 529-to-Roth rollover is $35,000

To find out what else you can do with 529 funds, read our recent article.

Emergency Savings Accounts

Employer-offered Emergency Savings Accounts: Balancing debt, bills, and saving for retirement is no easy feat. To make it a bit easier, employers that offer a defined contribution retirement plan can also provide a pension-linked emergency savings account. They can even automatically enroll employees (with a 3% cap on their salary), and you can contribute a maximum of $2,500 (or less, depending on the employer).

The first four withdrawals each year from these accounts won't incur penalties. If you part ways with the company, you have the option to cash out or roll it into your Roth-defined contribution plan or IRA.

Contribution Limits

Catch-up Contribution Limit Indexed to Inflation: The catch-up contribution limit for IRAs, which has remained stagnant at $1,000/year, will now be adjusted to account for inflation.

The Bottom Line

While legislative changes can be overwhelming, understanding their impact on your financial plan is critical. These changes happen suddenly, and not knowing what's on the horizon can affect how you save for retirement. This is just a snapshot of the upcoming rules – if you want to delve deeper into these provisions or explore what else lies ahead, click here to learn more.