Is your business on track for Success and Financial Wellness in 2023?

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Congress has passed Secure Act 2.0 a landmark legislation that impacts retirement savings, student loans, and 529 education savings. This legislation has a widespread impact on both employees and employers. This legislation is targeted to increase the accessibility of retirement savings options for everyone, and to increase overall financial wellness across the board. How will you use this to be more competitive in a such a tight labor market? What else can help your business not only survive but thrive moving forward? How to fix the wrongs and become a better leader today and into the future? Please dive into this month's business newsletter for answers to many of these questions.

Secure Act 2.0 Provisions by Year

Provisions Effective in 2023

- Required Minimum Distributions:
  - Now age 73
  - Moves to age 75 in 2033

Credits:

- Less than 50 employees: 100% of admin costs for new startup plans (up to $5,000) in first 3 years of the plan
  - Tax credit for contributions to the employees made by the employer of $1,000 per employee for those earning less than $100,000 annually
  - In first 5 years
- 50-100 employees
- Employer match for 401ks:
  - A plan option: participants can request that an employer contribute the company match as a Roth contribution, instead of as a pre-tax contribution
  - The taxability of this is added to the employee's w2 come year end
- Simple IRAs and SEP IRA:
  - Previously allowed only pre-tax savings
  - Now allow for Roth savings as well

Provisions Effective in 2024

- 529s to Roth IRAs:
  - If a 529 has been open for 15 years, then the balance can be rolled over to a Roth IRAs for your child- tax free:
    - Maximum rollover amount is $35,000
  - Each rollover is subject to annual contribution limits:
  - This is a way to preserve and lock in that long-term tax-free growth
  - No more overfunding concerns or questions on what to do if your child receives scholarships and some 529 money is no longer needed:
    - A way to jump start the nest egg savings for your children
- Changes to Catch up contributions for 401ks for those making above $145,000:
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    - No more pre-tax catchup contributions
    - Roth only catchup contributions
- No required minimum distributions on Roth 401k plans
- Emergency savings side car:
  - A plan option: 2,500/yr. add on
  - This piece is an option 401k benefit, that if used, would allow employees to defer up to $2,500, through payroll, into an emergency savings account, and then access that in a calendar year instead of tapping into their 401k
- Student Loans as a 401k side-car:
  - Making payments to student loans will qualify an individual to receive the employer match (subject to match eligibility rules)
  - This is a key piece, as younger generations are saddled with student debt, and they tend to put off saving for retirement, so this is targeted at building their financial wellness to both drive down debt, and begin building that retirement nest egg
- Simple IRA Plans:
  - Increased contribution limits if 25 or less employees
  - Increased match potential if 26+ employees
  - Modified profit sharing in a simple IRA plan now available:
    - Up to lesser of $5,000 per employee or 10% of compensation

Provisions Effective in 2025

- Catch up contributions for those ages 60-63
  - Increased from $6,500 to $10,000
  - This will also be pegged to inflation for adjustment in future years
- New 401k plans come 2025:
  - Auto enrollment and auto escalation will be required for all new 401k plans
    - Starting between 3-10% annually and increasing 1% per year (with limits)
- Retirement Lost and Found:
  - For employees who lose track of an old 401k, this legislation will create a database where all lost 401ks will go to
- Saver's tax credit becomes a government match (up to $1,000 per individual) for lower income workers changes from a credit paid in cash as part of a tax refund to a federal matching contribution deposited into a retirement plan account or IRA. Also, the credit rate changes from a tiered range of 10%–50% of retirement plan and IRA contributions to an across-the-board 50%.

Secure Act 2.0 did not solve the issues of student debt, nor rid the world of financial literacy issues, but what it did was create a list of planning tools that can increase overall financial wellness!

Written by:

Justin Hamlin, CFP®

Todd Rohrer, CKP®

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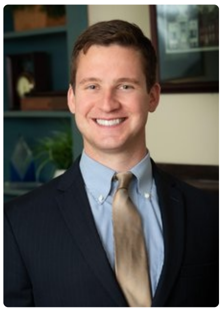
HFS Wealth Advisors
HFS Wealth Advisors

330-659-7140
hfswealthadvisors@hfswa.com
www.hfswa.com

Patrick Hammer, MSFS, AEP®
Sr. Client Advisor and President Partner
330-659-7140
hfswealthadvisors@hfswa.com
www.hfswa.com

Todd Rohrer, C(k)P®
Client Advisor
330-659-7140
trohrer@hfswa.com
www.hfswa.com



Justin Hamlin, CFP®
Client Advisor
330-659-7140
jhamlin@hfswa.com
www.hfswa.com

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