The SECURE Act

Update to Key 2020 Provisions

Setting Every Community Up for
Retirement Enhancement Act

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Introduction to the SECURE Act

The Setting Every Community Up for Retirement Enhancement Act, known as the SECURE Act, is widely considered the most expansive retirement reform in over a decade.

The SECURE Act includes a number of provisions focused on retirement plans and IRAs, with the goals of expanding retirement savings, improving plan administration, simplifying existing rules and preserving retirement income.

The new law is expected to have sufficient impact on retirement plan design for the next few years and will be particularly impactful for higher-income households.

When was it signed into law?

December 20th, 2019

When did it go into effect?

January 1st, 2020

Key 2020 Provisions

- Increase in small employer plan startup credit from a maximum of $500 per year for first three years to $5,000 maximum per year for first three years
- New automatic enrollment credit ($500)
- Participation by less than full-time employees: employees who have worked at least 500 hours/year for three consecutive 12-month periods can no longer be excluded from qualified plans.
- Lifetime income portability feature: income may be rolled over into an IRA or other qualified plan without triggering a distribution event.
- Higher penalties for plan reporting failures (5500: $250/day; up to $150k): failure to distribute or deliver plan notices - $100 per failure, up to $50,000
- In-service withdrawal distribution age is lowered to 59 ½ from age 62.
- Qualified plans and IRAs: faster payouts to non-spouse and other beneficiaries (stretch IRA eliminated for non-spouse beneficiaries) - payouts now limited to 10 years
- RMDs: age increased from 70 ½ to 72 (this change applies to persons who turn 70 ½ after December 31, 2019).
- Birth/adoption penalty exemption: new parents can also withdraw up to $5,000 in aggregate from qualified plans and IRAs for birth/adoption expenses. Income taxes will still apply.
- Disaster relief provisions: qualifying distributions of up to $100,000 from employer-sponsored plans and IRAs are exempt from the 10% early distributions penalty and withholding requirements.

Key 2020 Provisions Continued…

- Loans: terms have been relaxed—employers may allow participants to request loans of up to $100,000; repayments may be delayed for up to 1 year.

- Lifetime income disclosure: the law requires the Department of Labor to propose rules for a new disclosure to plan participants that will illustrate a participant's projected monthly income in retirement based on current retirement assets. It is designed as a kind of "progress report" to support participants' efforts to monitor their own progress on saving. The rule-making process for this item is likely to take a year or more followed by an implementation period so it could be 2021 or 2022 before this provision becomes standard.

- Annuity offerings in 401(k) plans: the new law lowers barriers to offering annuities in employer-sponsored plans, but plans are not required to offer such securities.

- Deadline to establish a plan: this deadline will now correspond to a business's tax filing deadline instead of the end of the calendar year (12/31).

- IRAs: traditional IRA contributions now can be made at any age (not just before reaching age 70 ½, as under previous law).

- 529s: new eligible expenses available (assets in college-savings plans can now be used to repay up to $10,000 in student loans)

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