

SECURE Act 2.0 Updates

Background

The SECURE Act 2.0, passed as part of the Consolidated Appropriations Act of 2023, introduces significant updates to retirement planning. Changes made for 2025 and beyond are designed to encourage savings, offer flexibility and enhance retirement security for Americans.

Here are the five most crucial updates:

1. Increased Catch-Up Contributions for Ages 60-63

Starting in 2025, individuals aged 60 through 63 can make elevated catch-up contributions to their employer-sponsored retirement plans if permitted by the plan. This increase raises the catch-up contribution limit to \$10,000 or 150% of the standard age 50 catch-up amount (\$11,250 for 2025).¹

2. Catch-Up Limits for SIMPLE IRAs

From 2025 onward, participants aged 60 to 63 enrolled in SIMPLE IRA plans may see an increased catch-up contribution limit. This will rise to \$5,000 or 150% of the regular age 50 catch-up contribution limit (\$5,250 for 2025).²

3. Automatic Enrollment for New 401(k) Plans

SECURE Act 2.0 mandates automatic enrollment for new 401(k) plans established on or after December 29, 2022. This feature will become effective in 2025, ensuring employees are automatically enrolled in workplace retirement plans unless they opt out. Automatic enrollment aims to increase participation rates and help more individuals save for their future.



At A Glance

What these updates mean for you

Increased Catch-Up Contributions

Starting in 2025, individuals aged 60-63 can contribute more to employer-sponsored retirement plans, with limits rising to \$10,000 or 150% of the age 50 catch-up limit (estimated at \$11,250 for 2025). This change allows those nearing retirement to accelerate savings.

Catch-Up Limits for SIMPLE IRAs

From 2025, SIMPLE IRA participants aged 60-63 can contribute an increased catch-up limit of \$5,000 or 150% of the standard catch-up amount (\$5,250 for 2025). These limits will adjust annually for inflation to maintain their value.

Automatic Enrollment for New 401(k) Plans

Effective in 2025, new 401(k) plans established after December 29, 2022, must include automatic enrollment. Employees will be enrolled unless they opt out, encouraging greater participation in retirement savings.

SECURE Act 2.0 Updates Cont'd

4. Tightened Withdrawal Rules for Inherited IRAs

If you inherited an IRA from someone who passed away on or after January 1, 2020, SECURE Act 2.0 requires all funds to be withdrawn within ten full calendar years following the individual's death. This rule emphasizes a more accelerated distribution schedule, affecting estate planning strategies for beneficiaries of inherited IRAs. Annual distributions are now required for those who inherit a traditional IRA from someone who passed away after their Required Beginning Date. This annual distribution requirement had been waived in prior years through a series of IRS notices but is now enforced effective for 2025.

5. Improving Coverage for Part-Time Workers

The original SECURE Act created a dual-eligibility track for employees to be mandatory participants in a 401(k) plan. Previously, employees had to work at least 1,000 hours in a single year to qualify. However, effective for plan years beginning in 2024 or later, the original SECURE Act says that individuals with 3 or more consecutive years of 500+ hours of service (since 2021) are also mandatory participants. SECURE Act 2.0 takes that 3-year requirement and shortens it to 'just' 2 years, effective in plan years starting in 2025 or later.³

Investment advisory services offered by Sequoia Financial Advisors, LLC, an SEC Registered Investment Advisor. Registration as an investment advisor does not imply a certain level of skill or training.

This material is for informational purposes only and is not intended to serve as a substitute for personalized investment advice or as a recommendation or solicitation of any particular security, strategy or investment product. Diversification cannot assure profit or guarantee against loss. There is no guarantee that any investment will achieve its objectives, generate positive returns, or avoid losses. Sequoia Financial Advisors, LLC makes no representations or warranties with respect to the accuracy, reliability, or utility of information obtained from third-parties. Certain assumptions may have been made by these sources in compiling such information, and changes to assumptions may have material impact on the information presented in these materials. Sequoia Financial Advisors, LLC does not provide tax or legal advice.



Tightened Withdrawal Rules for Inherited IRAs

SECURE Act 2.0 requires most non-spouse beneficiaries of IRAs inherited after January 1, 2020, to fully withdraw funds within 10 calendar years of the original owner's death, with annual distributions required for traditional IRAs inherited after the owner's required beginning date. This accelerates distributions and impacts estate planning strategies.

Improving Coverage for Part-Time Workers

Effective in 2025, part-time employees working 500+ hours for two consecutive years (instead of three) will qualify for mandatory participation in 401(k) plans. This shortens the eligibility period initially established by the SECURE Act.

1, 2. <https://www.irs.gov/newsroom/401k-limit-increases-to-23500-for-2025-ira-limit-remains-7000>

3. <https://www.tia.a.org/public/pdf/s/section-125-faqs.pdf>