

2024 CHANGES SECURE ACT 2.0 PROVISIONS – WHAT’S NEW FOR 2024

Provided by Dominic Lucente

On December 23, 2022, Congress **officially passed SECURE** (Setting Every Community Up for Retirement Enhancement) 2.0 as part of a \$1.7 trillion omnibus spending package, with the bill signed into law by President Biden eight days later on December 29th. The legislation was aimed at helping Americans better prepare for their financial future while strengthening the retirement system for both employers and employees.

Some of the provisions of SECURE 2.0 are scheduled to be put in place in 2024 and beyond. Let’s take a look a couple of those upcoming changes.

ABILITY TO ROLL UNUSED DOLLARS IN A 529 COLLEGE SAVINGS ACCOUNT TO A ROTH IRA IN THE BENEFICIARY’S NAME.

Prior to the Act, unused savings in a 529 account could either be held for another family member or withdrawn for non-education purposes and earnings subject to taxation and penalty. SECURE 2.0 allows for up to \$35,000 (lifetime) of unused 529 funds to help jumpstart retirement savings for a beneficiary in the form of a Roth IRA. There are several requirements including that the 529 must have been funded for at least 15 years. If this is of interest to you, we are happy to discuss details.

DESIGNATED ROTH IRA ACCOUNTS UNDER A QUALIFIED RETIREMENT PLAN (i.e., 401 K) WILL NOT BE SUBJECT TO RMDs DURING A PARTICIPANT’S LIFETIME.

Prior to the SECURE Act 2.0, any Roth dollars that remained in a participant’s 401(k) were subject to required minimum distributions (RMDs). This was the main difference between a Roth 401(k) and a Roth IRA as RMDs are not required for a Roth IRA during the owner’s lifetime. The SECURE Act 2.0 simply aligned the requirements between the two types of retirement accounts for those who maintain dollars in their employer’s/form employer’s retirement plan.

ALL CATCH-UP CONTRIBUTIONS FOR THOSE 50+ ARE SUBJECT TO ROTH TREATMENT FOR THOSE EARNING MORE THAN \$145,000.

Originally there was an effective date of January 1, 2024 for this provision, which would no longer allow additional tax deduction for catch-up contributions for those individuals earning more than \$145,000. Due to administrative challenges for retirement plan custodians, there is a delay in this provision’s effectiveness to January 1, 2026.

SOCIAL SECURITY COST-OF-LIVING ADJUSTMENT ANNOUNCED FOR 2024

According to the Social Security Administration, the 71 million Americans who receive Social Security benefit and Supplemental Security Income (SSI) payments will see an increase of 3.2% next year. This is an average increase of approximately \$50/month in payments.

While we wait for official 2024 numbers for tax brackets and contribution limits, based on the most recent inflation data, multiple finance and accounting firms have calculated their own estimates. Here’s a summary of some potential changes next year according to Thomson Reuters*:

- Standard Deduction may increase to \$29,200 (filing jointly) and \$14,600 (single).
- Regular IRA/Roth IRA contributions limits expected to increase to \$7,000.
- Income limits for various retirement contributions may increase between \$8,000 and \$12,000.
- Federal Estate and Gift Tax Exemption expected to increase to \$13,610,000.

Remember, these are estimates and the final numbers will come later. Should you have any questions in the meantime, you can always reach out to us.

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