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What the SECURE Act means for retirement plan sponsors

Many provisions of the Setting Every Community Up for Retirement Enhancement Act (SECURE Act) make it easier for employers to offer and enhance retirement plans and for employees to increase retirement savings.

Here's a list of some of the SECURE Act provisions and changes to consider if you're currently offering – or thinking about offering – a qualified employer-sponsored retirement plan. Other details, rules and exceptions may apply; please consult your financial or legal advisor for more information.

FOR EMPLOYERS

Provision/change	Description	Timing
Increased new plan startup tax credit	The existing maximum tax credit that employers can use to offset plan costs for the first three years has been increased from $500 a year. The new limit is determined by a formula, generally $250 a year for each eligible non-highly compensated employee, up to a total of $5,000 a year.	For tax years after 2019
New automatic enrollment tax credit	Small-business employers who start a plan with automatic enrollment – or add it to an existing plan – are eligible for a three-year, $500 annual tax credit.	For tax years after 2019
Relaxed restrictions for multiple, or pooled, employer plans (MEPs/PEPs)	It's easier for unrelated employers to pool resources and create and maintain a retirement plan together with a single, shared fiduciary and plan administrator.	Starting in 2021
Required lifetime income projections on statements	Participant statements will be required to include, at least once a year, an estimate of how much future monthly income their account is expected to generate. This may encourage participants to think more about retirement planning.	Effective date to be determined
Long-term part-time employees must be allowed to participate	Part-time employees who work at least 500 hours in three consecutive years must be given the opportunity to make contributions. However, they are not required to receive matching or other employer contributions and can be excluded from nondiscrimination testing.	For plan years beginning after 2020
More easily accessible annuity liability protection	For employers who want a lifetime income option (annuity) in their plan, simpler safe harbor requirements make it easier to qualify for liability protection if the insurer can't pay benefits in the future.	Effective December 20, 2019
Direct rollover of annuities into IRAs	To prevent adversely affecting annuity holders when eliminating an annuity from a plan, annuity investments can be rolled over directly into an IRA without regard to in-service withdrawal restrictions.	For plan years beginning after 2019

FOR PARTICIPANTS

Provision/change	Description	Timing
Higher age for required minimum distributions (RMDs)	The age triggering the required start date for RMDs was raised from 70½ to 72.	For participants born on July 1, 1949, or later
10-year rule replaces lifetime "stretch" distributions for most younger non-spousal beneficiaries	With certain exceptions, non-spousal beneficiaries who are more than 10 years younger than a participant must withdraw their share of the account by the end of the 10th calendar year after the year in which the participant died. Spousal and certain other beneficiaries may continue to take required minimum distributions over their life expectancy. Minor child beneficiaries are subject to the 10-year rule when they reach majority age (often 18).	For participants deceased after 2019
Penalty-free birth/adoption withdrawals	Participants can take in-service, penalty-free — although taxable — withdrawals totaling up to $5,000 for one year after the birth or adoption of a child.	Effective after 2019

If you'd like to learn more about these changes or what your next steps may be, **please contact your financial professional, legal advisor or tax professional**.