



Rosso
Financial
Group

Growing Wealth Responsibly

RossoFinancialGroup.com

732-820-4690

800 The Plaza, Suite 6/7

Sea Girt, NJ 08750

Secure Act

[Setting Every Community Up for Retirement Enhancement Act of 2019](#)

Changes Regarding 401(k) Plans

By

Sean T. Keating, EA, CFP®, ChfC, CRPC®, CDFA

On December 20, 2019, a new retirement bill — **Setting Every Community Up for Retirement Enhancement Act**, better known as the SECURE Act, was passed as part of the 2020 fiscal year appropriations bill.

What does this mean for you? There are several areas of the SECURE Act which will have an impact based on where you are in the Retirement Life Cycle — if you are just starting your education, new to the work force, starting a family or preparing for retirement, you may be affected by the SECURE Act.

The information provided is not meant to be advice. It is to make you aware of some of the changes that might affect you and your family. Please schedule a meeting so we can review in detail how this new law will impact your individual situation.

Changes to 401(k) Plans

- Employees who are part of a “Safe Harbor” retirement plans will now be allowed to contribute up to 15% their regular pay into their 401(k)s This is up from the 10% previously enforced.
- Part time employees who work 500 hours per year and have been with the company for 3 years can now contribute to an employer 401(k). In the past, only full-time employees working at least 1000 hours per year could be participants.
- The SECURE ACT also removed the Fiduciary liability of a plan sponsor who allows the use of products that do not perform as promised. This means, you may start seeing more annuities offered inside retirement plans. I don't believe this is a good thing, but that is just my opinion.
- Small businesses have been hindered from starting plans due to costs. To help mitigate that, a new \$500 tax credit is offered to any business who have an automatic enrollment 401(k) or SIMPLE IRA. Small businesses also get a Multi-Employer Plan (MEP) structure to possibly aggregate plans and lower costs.
- The maximum tax credit for retirement plan startup costs has been increased from \$500 to \$5,000 per year in certain circumstances. This still limited to 50% of the total costs.

What is a Safe Harbor Retirement Plan?

A Safe Harbor Retirement Plan is a retirement plan similar to a traditional 401(k) Plan.

However, Safe Harbor plans differ from traditional 401(k)s in one major regard - employers must make annual contributions to the plan on behalf of employees and those contributions must be immediately vested.

Regular 401(k) plans don't have mandatory contributions and don't mandate immediate vesting. With a traditional 401(k), the employee's contribution is immediate, but any employer contribution can be vested over time. That's the difference.

In going with a Safe Harbor, small businesses aren't subject to the paperwork-heavy annual non-discrimination tests that apply to regular 401(k) plans.

With Safe Harbor 401(k) plans, business owners must offer employees either an eligible matching or so-called non-elective contribution and each must be available to all employees. Employers have several contribution options under Safe Harbor 401(k) rules.

Sources include: Congressional Research Service/Library of Congress - www.loc.gov, Wealth Management - www.wealthmanagement.com, National Association of Enrolled Agents - www.naea.org, Kiplinger - www.kiplinger.com

Commentary reflects the opinions of the author and is not offered or endorsed by Regal Advisory Services or Regal Securities. Commentary should not be construed as a recommendation to buy or sell a particular security or engage in a particular investment strategy.

Rosso Financial Group and Regal Securities/Regal Advisory Services are unaffiliated companies.

Advisory services offered through Regal Advisory Services, Inc., a registered investment advisor. Securities offered through Regal Securities, Inc., member FINRA/SIPC, a registered broker dealer, 950 Milwaukee Avenue, Suite 101, Glenview, IL 60025.