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Growing Wealth Responsibly

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SECURE Act

Setting Every Community Up for Retirement Enhancement Act of 2019

Small Business Retirement Plans and 401(k)s

By
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On December 20, 2019, a new retirement bill Called the 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 intended to make you aware of some of the changes that might affect you and your family.

Please schedule a meeting and we can review in detail how your individual situation may be impacted.

Small Business Retirement Plans and 401(k)s:

- In the past, small businesses may have been hindered from starting plans due to cost. To help mitigate that, a new $500 tax credit is offered to any business who has an automatic enrollment 401(k) or SIMPLE IRA. Small businesses also get a Multi-Employer Plan (MEP) structure to possibly aggregate plans and help lower costs.

- 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 will start seeing more annuities offered inside retirement plans. I don't believe this is a good thing, but that is just my opinion.

- 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.
- 401k plans will now be required to add a new section to the statements they send out. Statements will now add a section that shows expected lifetime cash flow which can be generated from the retirement assets. As of now, we do not know how that will look or what calculation will be used to come up with those projections.

Reach out to your tax advisor to learn how to qualify for these tax credits. Let us know if we can help you get started on setting up or reviewing a 401(k) plan for you.

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