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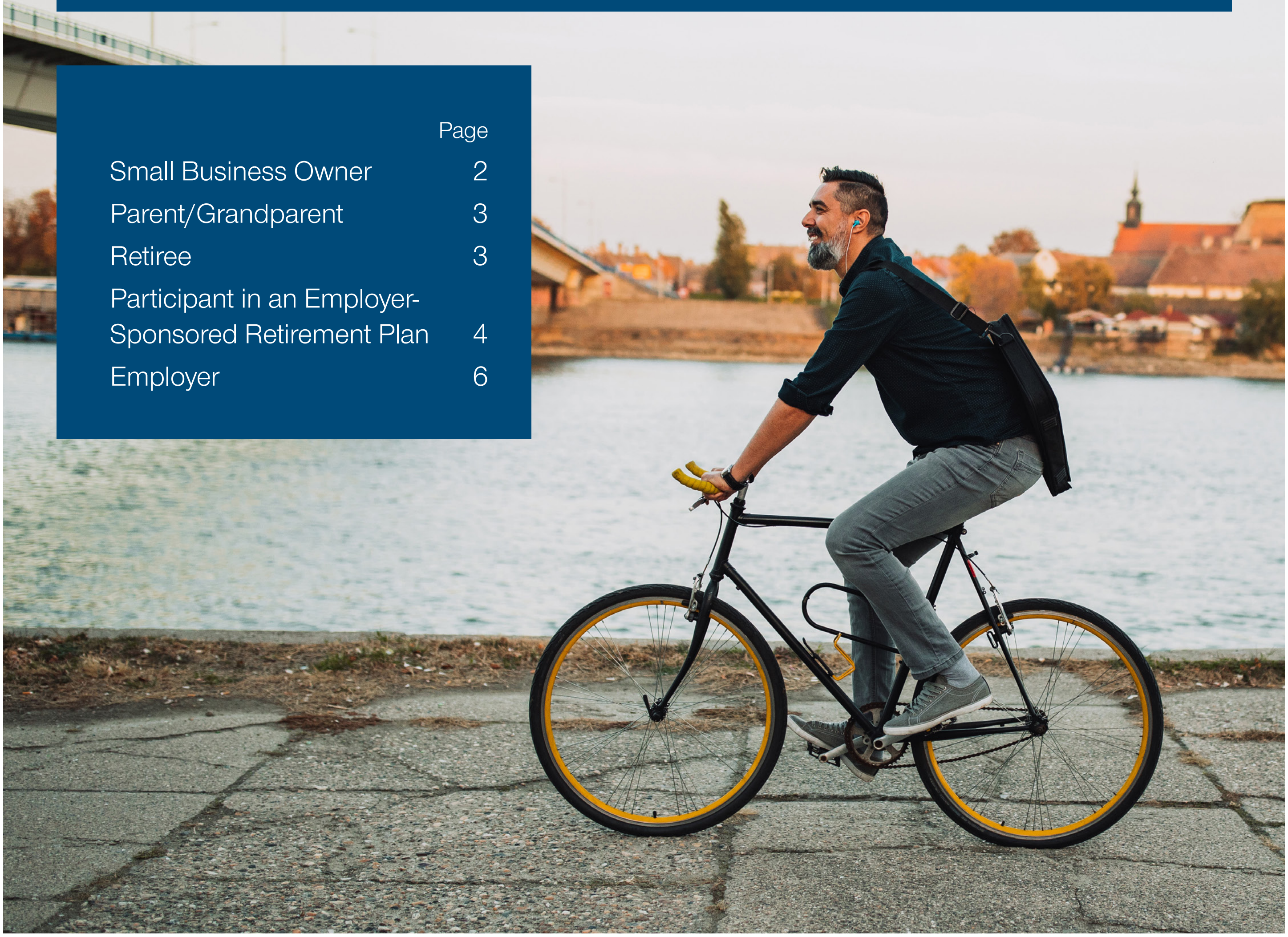
SECURE 2.0

Benefits for Individuals and Retirement Plans

While the Secure 2.0 Act is often thought of as retirement plan legislation, it includes benefits for everyone from small business owners to parents saving for their children's education. These new benefits present important planning considerations for both savers and employers. In this brochure, we've highlighted some of the groups that might want to explore the new Secure 2.0 provisions further and plan accordingly.



Small Business Owner

Reasons a small business owner, who doesn't currently offer a retirement plan, should consider starting one:

- It's now cheaper and easier
- Ability to save for own retirement in a tax-advantaged way
- Helps take care of the business's employees
- More control than using a state plan (if applicable)

Opportunity	Description
Starter 401(k) plans for employers with no retirement plan	Permits a small business owner who does not sponsor a retirement plan to offer a starter 401(k) plan (or safe harbor 403(b) plan).
Modification of credit for small employer pension plan start-up costs	Increases the start-up credit from 50% to 100% for small business owners with up to 50 employees. Additional credit provided based on employer contribution.
Small financial incentives for contributing to a plan	Enables employers to offer de minimis financial incentives, not paid for with plan assets—such as low-dollar gift cards—to boost employee participation in workplace retirement plans.[1]
SIMPLE and SEP Roth IRAs	Allows SIMPLE IRAs to accept Roth contributions. Also, allows small business owners to offer employees the ability to treat employee and employer SEP contributions as Roth (in whole or in part).
Military spouse retirement plan eligibility credit for small employers	Provides small employers a tax credit with respect to their defined contribution plans if they allow military spouses to participate, with certain requirements.

[1]Plan years beginning after December 29, 2022.

Parent/Grandparent

New benefit of, and reason to consider, a 529 college savings plan:

- If a parent or grandparent were reluctant to start a 529 plan because of concerns the money would be "stuck" in the plan, there is now a new way to use the money beyond college expenses
- One implication is to consider continuing contributions to a 529 during a student's undergraduate years, in anticipation of graduate school, knowing there's an option to still benefit the child/grandchild if they do not go to graduate school

Opportunity	Description	Effective Date
Rollover to beneficiary's Roth IRA	Can do a rollover from a 529 plan to a Roth IRA for the beneficiary if the plan has been open 15 years (for money and earnings in the plan for at least five years). The amount counts toward the year's allowable contribution limit to the Roth IRA and cannot exceed that year's allowable contribution limit.	January 1, 2024

Retiree

Several new provisions, including an increase in the required minimum distribution (RMD) age, delaying the point at which a retiree is required to withdraw money and include it in taxable income. This, in turn, increases the number of years available to apply strategies to reduce those taxable withdrawals.

Audience	Opportunity	Description	Effective Date
Age 70½ and older	One-time qualified charitable donation (QCD) election to a split-interest entity	An ability for donors to make a QCD of up to $50,000 to fund one of either a charitable remainder unitrust, charitable remainder annuity trust, or charitable gift annuity.	January 1, 2023
All retirees	Increase in age for required beginning date for mandatory distributions	Increases the required minimum distribution age to 73 starting on January 1, 2023—and to 75 starting on January 1, 2033.	January 1, 2023 and January 1, 2033
	Qualifying longevity annuity contracts (QLAC)	Repeals the 25% limit and allows up to $200,000 (indexed) to be used from an account balance to purchase a QLAC.	January 1, 2023 (Treasury secretary must update the relevant regulations by June 29, 2025)
	Roth plan distribution rules	Eliminates the pre-death distribution requirement for RMDs in Roth accounts in employer plans.	January 1, 2024
	Reduction in excise tax on certain accumulations in qualified retirement plans	Reduces the penalty for failure to take RMDs from 50% to 25% and if a failure to take a RMD from an IRA is corrected in a timely manner, the excise tax on the failure is further reduced from 25% to 10%.	January 1, 2023

Participant in an Employer-Sponsored Retirement Plan

Participants in an employer-sponsored retirement plan have a variety of new opportunities to benefit from the plan.

Audience	Opportunity	Description	Effective Date
In disaster areas	Special rules for use of retirement funds in connection with qualified federally declared disasters	Provides permanent rules relating to the use of retirement funds in the case of a federally declared disaster.	Disasters occurring on or after January 26, 2021 (Treasury secretary must update the relevant regulations by June 29, 2025)
Experiencing a hardship	Employer may rely on employee certifying that deemed hardship distribution conditions are met	For plans that offer hardship withdrawals, provides that, under certain circumstances, employees are permitted to self-certify that they have had an event that constitutes a hardship for purposes of taking a hardship withdrawal.	December 29, 2022

Participant in an Employer-Sponsored Retirement Plan—When Their Plan Allows

Employers have the choice to adopt these provisions. Participants can talk to their HR benefits department for more details.

Audience	Opportunity	Description
All	SIMPLE and SEP Roth IRAs	Allows SIMPLE IRAs to accept Roth contributions. Also, allows employers to offer employees the ability to treat employee and employer SEP contributions as Roth (in whole or in part).
	Optional treatment of employer matching or nonelective contributions as Roth contributions	Allows defined contribution plans to provide participants with the option of receiving matching contributions on a Roth basis.
	Withdrawals for certain emergency expenses	Provides an exception for certain distributions used for emergency expenses. One distribution is permissible per year of up to $1,000, and a taxpayer has the option to repay the distribution within three years.[2]
Adoptive parents	Repayment of qualified birth or adoption distribution (QBAD), for plans that offer them, limited to three years	Amends the QBAD provision to restrict the recontribution period to three years.
Non-highly compensated employees	Emergency savings accounts linked to individual account plans	Provides employers the option to offer pension-linked emergency savings accounts.[2]
Participants with student loans	Student loan matching	Permits an employer to make matching contributions under a 401(k) plan, 403(b) plan, 457 plan, or SIMPLE IRA with respect to "qualified student loan payments."[2]
Participants who have experienced domestic abuse	Penalty-free withdrawal from retirement plans for individual case of domestic abuse	Allows retirement plans to permit participants who self-certify that they experienced domestic abuse to withdraw a small amount of money without penalty.[2]

[2]Earliest availability is 2024.

Employer

Employers with retirement plans in place have a number of required changes to adopt.

Required

Change	Description	Effective Date
Recovery of retirement plan overpayments	Allows retirement plan fiduciaries the latitude to decide not to recoup overpayments that were mistakenly made to retirees.	December 29, 2022
Employer may rely on employee certifying that deemed hardship distribution conditions are met	Provides that, under certain circumstances, employees are permitted to self-certify that they have had an event that constitutes a hardship for purposes of taking a hardship withdrawal.	Plan years beginning after December 29, 2022
Hardship withdrawal rules for 403(b) plans	Conforms the hardship rules for 403(b) plans to those for 401(k) plans.	Plan years beginning after December 31, 2023
Exemption for certain automatic portability transactions	Permits a retirement plan service provider to provide employer plans with automatic portability services. Such services involve the automatic transfer of a participant's default IRA (established in connection with a distribution from a former employer's plan) into the participant's new employer's retirement plan, unless the participant affirmatively elects otherwise.	Effective for transactions occurring on or after December 29, 2023

Employer

Employers with retirement plans in place have some optional changes to consider adding.

Optional

Change	Description	Effective Date
SIMPLE and SEP Roth IRAs	Allows SIMPLE IRAs to accept Roth contributions. Also, allows employers to offer employees the ability to treat employee and employer SEP contributions as Roth (in whole or in part).	January 1, 2023
Optional treatment of employer matching or nonelective contributions as Roth contributions	Allows defined contribution plans to provide participants with the option of receiving matching contributions on a Roth basis.	December 29, 2022
Emergency savings accounts linked to individual account plans	Provides employers the option to offer to their non-highly compensated employees pension-linked emergency savings accounts.	Distributions made after December 31, 2023
Student loan matching	Permits an employer to make matching contributions under a 401(k) plan, 403(b) plan, 457 plan, or SIMPLE IRA with respect to "qualified student loan payments."	Plan years beginning after December 31, 2023
Penalty-free withdrawal from retirement plans for individual case of domestic abuse	Allows retirement plans to permit participants that self-certify that they experienced domestic abuse to withdraw a small amount of money without penalty.	2024
Updating dollar limit for mandatory distributions	Increases the limit from $5,000 to $7,000.	2024

Put Secure 2.0 to work for you.

Talk to a financial professional about how you can take advantage of the new benefits.

All information included in this brochure is accurate as of November 1, 2023. Additional guidance or regulations may be issued after this date that change/clarify individual provisions.

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T. Rowe Price Retirement Plan Services, Inc.

T. Rowe Price Investment Services, Inc.

T. Rowe Price Associates, Inc.

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