401(k) Plan Sponsor Quarterly Newsletter

January 2022

SECURE ACT 2.0

The 'Secure Act 2.0' legislation could significantly alter the retirement landscape as we know it. Officially called the the 'Securing a Strong Retirement Act of 2021', the bill is essentially a follow up to the 2019 Secure Act.

Here are some of the changes proposed within this legislation*:

- ***Increase the required minimum distribution (RMD) age*** *- In the original Secure Act, retirees could begin delaying RMDs from age 70 1/2 until age 72. Proposed in this new bill, the age when retirees must begin drawing from their tax-deferred retirement accounts would increase to 73 in 2022, 74 in 2029 and 75 in 2032.*
- ***Raise the catch up contribution limits*** *- Under current law at age 50, 401(k) plan participants may defer an additional $6500 per year above and beyond the 2022 IRS annual limit of $20,500. The Secure Act 2.0 would keep the age 50 catch ups and allow for new ones starting in 2023. Under the new law, 401(k) plan participants would be able to defer an additional $10,000 per year at age 62, 63 and 64. The new limits on catch up contributions would be indexed to inflation beginning in 2023.*
- ***Allow companies to make 401(k) matching contributions based on student loan payments*** *- The Secure Act 2.0 would permit employers to make matching contributions to an employee's retirement plan, even if the worker isn't actively saving themselves. In the bill, workers facing the decision to pay off student loans or save for retirement could have a portion of their student loan payments matched by their employer and contributed to their retirement plan.*
- ***Expanding use of after-tax contributions to ROTH accounts*** *- Under current law, SEP and SIMPLE retirement plans cannot have a designated ROTH IRA account. In the Secure Act 2.0, participants of these could have the option to make after-tax ROTH contributions within the plan. The bill would also require participants to make catch-up contributions to a ROTH account in 401(a), 403(b) and 457(b) plans. Further, under these plans, employers may allow employees to elect matching contributions in a ROTH account versus pre-tax.*

Upcoming Seminars

Onward Money Tips & Tricks — January 2022

You are invited to use Onward Money, our completely free financial planning tool where you can budget and track spending as well as set up and view your entire consolidated financial picture.

We understand it can be a daunting task learning to use new software and we don't want you to go it alone! Join one of the virtual seminars that we will be holding and you'll learn some tips and tricks to utilizing the software.

Voluntary Auto Increase — February 2022

Most people need to save quite a bit to reach the amount they will need in retirement - often much more than they are currently saving. The first step to successful retirement planning is knowing what you need to save for retirement - and that's where having a financial plan will come in handy. The second (and often-times most overlooked) step is establishing how you will get there - and that's where VAI can help. Once you know how much you need to save, could utilizing Voluntary Auto Increase help you to achieve those goals?

Medicare & Insurance — March 2022

Learn about the different types of insurance available and the benefits of each. You will also learn about the different plans and supplements available through Medicare.

Estate Planning — April 2022

Estate Planning is often overlooked by most people when planning for retirement because most people don't know where to begin. Designating who will receive your assets and handle your responsibilities once you are no longer able to is an important decision that should be well-planned and thought out. Join us to take the first step and learn how to get started with planning your estate.

- ***Require employers to automatically enroll eligible workers into 401(k) plans at a savings rate of 3% of their salary*** *- "automatic enrollment" in new 401(k) plans - providing for people to participate in the plan unless they take the initiative to opt out - "significantly increases participation" according to a summary from the House Ways and Means Committee about the proposed legislation.*
- ***Allow employers to provide incentives to encourage employees to contribute to a 401(k) account -*** *employers are currently prohibited from providing financial incentives to employees to reward and encourage their participation; this legislation would change that.*
- ***Establishment of a national online lost-and-found database for retirement plans*** *- it has always been a challenge to locate former employees who have changed their names or addresses so this legislation would create a national database in order to locate these former 401(k) participants.*
- ***Part time workers would have a shorter path to retirement plan eligibility*** *- Under the first Secure Act, companies that offer a 401(k) plan are now required to allow employees who work at least 500 hours a year for three consecutive years to contribute to a retirement account. The Secure Act 2.0 would reduce it from 3 years to two.*

While the changes listed above are perhaps the most significant, there are many other provisions proposed within Secure Act 2.0 that could have significant impact in upcoming years. Consider how these changes may impact you and your plan participants.

For example just because participants now have more flexibility, doesn't necessarily mean it makes sense for each person's individual situation. As an example, the RMD age is now 72, but it doesn't mean all retirees should immediately delay drawing from their retirement accounts until age 72. Expanded use of Roth accounts may offer new options as well, but high earners should think twice before participating - particularly in light of proposed tax increases.

*We will keep you informed on the Secure Act 2.0 and what will apply to you and your plan participants.

ONWARD FINANCIAL NETWORK

Objectivity / Competency / Attention to Detail

FINANCIAL WELLNESS

According to Forbes, a financial wellness program is the new "must-have benefit". After all, financial stress can hinder productivity and dampen employee morale, while financial wellness can help workers gain control over their financial lives leading to increased productivity and overall satisfaction, helping to save companies money in the end. But financial wellness is not one-size-fits-all - imagine going to a doctor who prescribes every patient the same medicine regardless of their symptoms or diagnosis. "Cookie cutter" financial wellness programs make just as much sense. Workers' financial needs and concerns can vary depending on many different factors such as: age, gender, risk tolerance, life stage, educational level and socioeconomic status - and a sound financial wellness program must address these individual differences. That's why we don't limit participants to a set amount of time or number of meetings allowed with our team - everyone's needs can vary and many of the important financial decisions that need to be made simply cannot afford to be made wrong.

CHANGES TO ANNUAL LIMITS FOR 2022

Please see the table outlined below for changes to the Annual Limits for 2022. If you or any of your plan participants have questions on their deferral amounts and maxing out their retirement plan contributions, please contact us and we'll be happy to help with determining optimal deferral amounts.

Annual Plan Limits	2022	2021	2020
Contribution and Benefit Limits			
Elective Deferral Limit	$20,500	$19,500	$19,500
Catch-Up Contributions	$6,500	$6,500	$6,500
Annual Contribution Limit	$61,000	$58,000	$57,000
Annual Contribution Limit including Catch-Up Contributions	$67,500	$64,500	$63,500
Annual Defined Benefit Limit	$245,000	$230,000	$230,000
Compensation Limits			
Maximum Plan Compensation	$305,000	$290,000	$285,000
Income Subject to Social Security	$147,000	$142,800	$137,700
Key EE Compensation Threshold	$200,000	$185,000	$185,000
Highly Compensated EE Threshold	$135,000	$130,000	$130,000
IRA Limits			
SIMPLE Plan Elective Deferrals	$14,000	$13,500	$13,500
SIMPLE Catch-Up Contributions	$3,000	$3,000	$3,000
Individual Retirement Account (IRA)	$6,000	$6,000	$6,000
IRA Catch-Up Contribution	$1,000	$1,000	$1,000