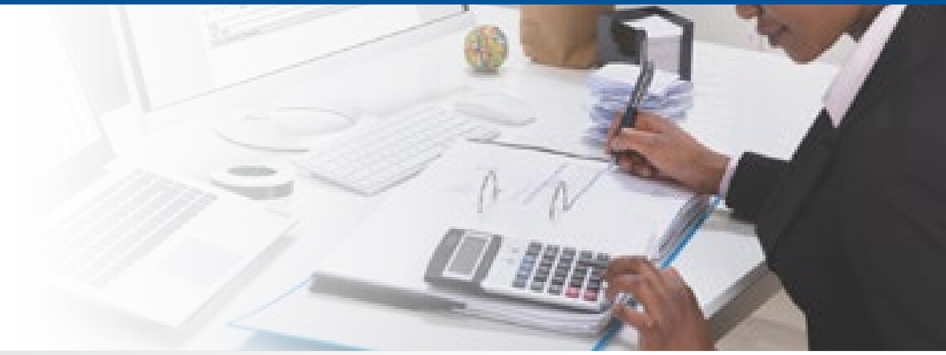

Advisor Connect | SECURE Act

MAKING IT ACTIONABLE

With a goal of creating more opportunities for American workers to save and to make it easier for employers to start and maintain benefit plans, Congress just passed the **SECURE Act**. SECURE stands for “Setting Every Community Up for Retirement Enhancement.”

This is the most comprehensive and far-reaching update to retirement plans in more than a decade and many, but not all, of its features are effective in 2020. The Act introduced “Pooled Employer Plans,” or “PEPs,” that allow unrelated employers to band together to participate in a single plan. The Act also provides updated guidance for those companies who sponsor and manage multiple employer plans (MEPs).

ACTION TO TAKE NOW

The following changes apply broadly to your clients and prospects. Review them, then talk to us about how we can help clients get the most out of these opportunities.

1 Extending New Plan Start Dates

To encourage more plan startups, the deadline to establish a new 401(k) plan is now extended from the last day of the tax year until the due date of the year’s tax return including extensions.

2 Small Business Tax Credits

The SECURE Act expands tax credits in two ways for small businesses (up to 100 employees):

1 Starting a new plan

Companies can now claim a tax credit to offset startup costs of a new plan of up to $5,000 per year for the first three years. That’s a maximum credit of $15,000 over three years.

2 Adding auto-enrollment

There’s an additional $500 tax credit available for small businesses that add an automatic enrollment feature to a new or existing 401(k) plan. The credit is available for each of the first three years the feature is effective.

3 401(k) Safe Harbor Plans

The Act makes changes to 401k Safe Harbor plans that use a non-elective contribution formula.

- It **eliminates** the annual **Safe Harbor notice requirement**
- It **allows** a plan to add a **3% Safe Harbor non-elective contribution** any time up to 30 days before the end of the plan year.
- It **allows** a plan to add a Safe Harbor non-elective contribution **after the 30th day** before the end of the plan years as long as two conditions are met:

  1 *The amendment to adopt Safe Harbor 401(k) status is made by the end of the following plan year*

  2 *The non-elective contribution is at least 4%*

These changes streamline Safe Harbor plan administration and benefit plan participants.

4 Distribution Rules

The Act **increases the Required Minimum Distribution (RMD) age** from 70½ to 72. This applies to distributions made after December 31, 2019 for people who turn 70½ beginning January 1, 2020.

The new rules also allow for **distributions of up to $5,000** for expenses related to the **birth or adoption of a child** to be made without penalty. These special distributions are eligible to be repaid to the retirement plan account to help keep a saver on track long-term.

5 Eligibility of Long-Term Part-Time Workers

The Act requires employers to include long-term part-time workers in defined contribution plans.

To be eligible, employees must:

- have at least 500 hours of service each year for 3 consecutive years
- be 21 or older

While these employees may now participate, they can be **excluded from Safe Harbor contributions, nondiscrimination and top-heavy requirements**. There are exceptions to this new requirement for collectively bargained plans.

6 Lifetime Income Estimates in Benefit Statements

New benefit statements will now need to include a lifetime income estimate that illustrates the **monthly payments** plan participants could expect to **receive in retirement** based on their account balance. This estimate must be provided at least annually whether or not the plan includes an annuity distribution option.

Translating retirement balances to projected monthly income is widely applauded as an important way to help people plan realistically for their future. This particular change won't take effect until at least 2021 as the Department of Labor has not yet issued final guidance on the specific requirements of these disclosures.

7 Late Filing Penalties

The government just increased late filing penalties.

Tax Document	Late Filing Penalty
Form 5500	$250 per day *(not to exceed $150,000)*
Form 8955-SSA	$10 per participant per day *(not to exceed $50,000)*

As always, it's essential that clients help keep plan information current so that required filings are made timely.

The SECURE Act introduces important changes to share with clients. These are only a few of the general highlights. We invite you to talk with us about more of its coverage and how this information can advance your retirement plan practice; we're here to help you succeed.