



# SECURE Act 2.0

## ANNUITY PLANNING IMPACTS

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In late 2022 the legislation commonly referred to as SECURE Act 2.0 was signed into law. There are numerous provisions in this bill affecting the retirement security of Americans. From an individual planning perspective, there are a number of notable provisions to be aware of for financial professionals who use annuity products as part of their practice.

### **INCREASES THE STARTING AGE FOR REQUIRED MINIMUM DISTRIBUTIONS (RMD)**

Starting on January 1, 2023, the required beginning age for RMDs will be 73. Beginning in 2033 the required beginning age will be 75.

### **ALLOWS IRA ANNUITIZATION PAYMENTS TO BE AGGREGATED FOR RMD PURPOSES**

The payments that come from an IRA annuitization may be used to satisfy the RMD obligations for the IRA owner's other IRAs. This provision is effective in 2023.

### **REDUCES THE PENALTY FOR MISSED RMDs**

The new law reduces that penalty tax to 25% from 50% for missed RMDs, and if timely corrective action is taken by the IRA owner the tax penalty can be reduced to 10%. This provision is effective in 2023.

### **EXCEPTION TO 10% PENALTY ON EARLY DISTRIBUTIONS FOR INDIVIDUALS WITH A TERMINAL ILLNESS**

The bill creates a new exception for terminal illness and is effective for 2023.

### **INCREASED CONTRIBUTIONS AMOUNTS TO PLANS FOR OLDER WORKERS**

Starting in 2025, individuals who are ages 60 to 63 will be eligible to make larger catch-up contributions to their plans.

### **NO LIFETIME RMDs FROM ROTH PLAN ACCOUNTS**

Starting in 2024, plan participants who have Roth plan accounts will no longer be subject to RMDs. This change will align the lifetime distribution rules of Roth qualified retirement plan accounts with the rules of Roth IRAs, which have never had a lifetime RMD requirement.

### **MORE ROTH OPTIONS FOR SAVERS**

In 2023 SEP and SIMPLE plans can allow Roth contributions, while other qualified retirement plans can allow employer matching contributions to be made on a Roth basis. Beginning in 2024 all plan catch-up contributions for age 50-or-over higher income employees must be Roth contributions.

There are many other provisions in the SECURE Act 2.0 affecting the retirement savings and income of Americans. Be on the lookout for more explanations and evaluations of the act's provisions from Nationwide or contact the Advanced Consulting Group at 614-677-6500 or [ADCVG@nationwide.com](mailto:ADCVG@nationwide.com) to talk with one of our planning consultants.



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NFM-22651AO (01/23)