SECURE 2.0 Act **FAQs**

SAMMONS RETIREMENT SOLUTIONS®

Annuities are issued by Midland National® Life Insurance Company

Overview

The SECURE 2.0 Act, which was signed into law in December 2022, is a package of federal policy changes designed to boost retirement savings. As its name implies, many of the provisions in SECURE 2.0 build on changes made in the SECURE Act of 2019.

The frequently asked questions (FAQs) below provide a broad overview of some of the key provisions of SECURE 2.0 that impact Midland National and our producers. A full section-by-section summary of SECURE 2.0 can be found **here**.

As the law is implemented, we expect guidance from federal agencies that will provide additional insight into how provisions of the law will be applied. As always, it is important that you talk with your financial professional, tax professional, or other retirement/estate planning professional to determine the impact the SECURE 2.0 Act may have on you or any circumstances specific to you.

What is the SECURE 2.0?

The SECURE 2.0 Act is a bipartisan package of reforms to retirement policy passed by Congress and signed into law by President Biden in December 2022. The law includes provisions designed to boost savings for low- and middle-income Americans, increase participation in employer-sponsored retirement plans, provide more flexibility to savers, and reduce regulatory barriers for annuities in retirement plans. Some changes take effect starting in 2023, such as raising the age at which individuals must begin taking Required Minimum Distributions (RMDs). However, most of the provisions will not take effect until 2024 or later.

What provisions in SECURE 2.0 take effect in 2023?

- **Increases required age to begin RMDs.** Like the SECURE Act of 2019, SECURE 2.0 once again raises the age at which an individual must begin Required Minimum Distributions. For individuals who turn 72 in 2023, the required beginning age for RMDs increases from 72 to 73. In 2033, the age increases again to 75. The chart below demonstrates the new RMD beginning age based on year of birth.

Year of Birth	RMDs begin at age...
1950 or earlier	72
1951 to 1959	73
1960 or later	75

- **Provides exception to early withdrawal penalty for individuals with terminal illness.** Effective immediately, SECURE 2.0 adds an exception to the 10% early withdrawal penalty for withdrawals due to documented "terminal illness," which is defined as an illness that can be expected to result in death within 84 months of diagnosis. This provision does not alter annuity surrender charges – it only applies to tax penalties.
- **Allows SIMPLE and SEP IRAs to be Roth** beginning in 2023.
- **Reduces the RMD excise tax** that is applied when a distribution is not taken or is not large enough from 50% to 25%. Further reduces tax to 10% if the RMD that should have been received is taken during the defined "correction window." Effective for tax year 2023.

What provisions in SECURE 2.0 take effect in 2024 or later?

- **529 transfers to Roth IRAs.** Beginning in 2024, SECURE 2.0 will allow for a transfer of funds from a 529 savings accounts into the plan beneficiary's Roth IRA. Transfers are only available for 529 plans maintained for over 15 years, and contributions made to a 529 in the previous 5 years and earnings on those contributions are ineligible for transfer. A 529 transfer is included in the annual contribution limit for the IRA, and there is a maximum lifetime transfer limit of $35,000. However, Roth IRA income limitations do not apply to 529 transfers.

(continued...)

- **New options for surviving spouse beneficiary.** Effective in 2024, SECURE 2.0 will provide for additional options for a surviving spouse beneficiary who inherits a retirement account, including the ability to calculate RMDs using the Uniform Lifetime Table rather than the Single Lifetime Table. This would reduce RMDs for surviving spouses.
- **Indexes IRA catch-up contribution limits to inflation.** Under current law, individuals age 50 and older can make IRA catch-up contributions up to $1,000. SECURE 2.0 indexes this limit to inflation beginning in 2024.
- **Clarification of rules for substantially equal periodic payments, or 72(t) payments.** Allows partial rollover or transfer from an account making 72(t) payments beginning in 2024.

What changes does SECURE 2.0 make to employer-sponsored retirement plans?

SECURE 2.0 makes several changes to increase participation and boost savings for employer-sponsored retirement plans. This includes enhancing the tax credit for small business retirement plan startup costs, allowing employers to provide matching contributions to retirement plans for employee student loan payments, raising catch-up limits for plan participants between ages 60 and 63, and allowing matching and non-elective contributions to be Roth, among many other changes. A full section-by-section summary of SECURE 2.0 can be found **here**.

What can I do to better understand how SECURE 2.0 will impact me?

The SECURE 2.0 Act will likely impact retirement savers in different ways depending on the retirement plans in which they may participate, as well as their age and financial situation. It is important to talk to a financial professional, tax professional, or other retirement/estate planning professional to determine the impact the SECURE Act may have.