

# What you need to know about SECURE 2.0

**The Setting Every Community Up for Retirement Enhancement (SECURE) 2.0 Act of 2022 is one of the most significant pieces of legislation enacted into law for retirement planning and small businesses. Here are three things you need to know about SECURE 2.0 and how they can benefit your business.**

## 1. Increased start-up credit

Employers that establish a new retirement plan on or after January 1, 2023, may be eligible to receive an enhanced tax credit. The maximum credit for eligible employers with no more than 50 employees is 100% of qualified start-up costs, up to \$5,000. (The maximum credit for eligible employers with 51 to 100 employees is 50% of qualified start-up costs, up to \$5,000.) Small businesses joining a multiple employer plan (MEP), or a pooled employer plan (PEP) are also eligible for the full three-year start up tax credit retroactively for taxable years beginning after December 31, 2019.

An additional tax credit may be available for a percentage of employer contributions made to the plan (no more than \$1,000 per employee). This credit is phased out over five years and applies to qualified plans (defined contribution plans under IRC Sec. 401(a) and 403(a)), and SEP and SIMPLE plans. This credit does not apply to defined benefit plans.

**★ Benefit** A well-designed retirement plan helps to attract and retain employees and offers yearly tax benefits. This newly enhanced tax credit can make starting a plan at your business more affordable and can help reduce costs.

## 2. Starter 401(k) plans and 403(b) Safe Harbor plans

For plan years beginning January 1, 2024, and after, employers who don't currently provide a retirement plan, will be able to offer a starter 401(k) plan or a Safe Harbor Deferral Only 403(b) plan. Employees will be able to contribute up to \$6,000 per year (\$7,000 for those age 50 or older). Employers must include an automatic enrollment provision: the minimum deferral rate is at least 3 percent but cannot exceed 15 percent. Employer contributions are not permitted.

**★ Benefit** Starter 401(k) plans and Safe Harbor Deferral Only 403(b) plans allow employers to offer a retirement plan without having to provide a company match or a profit-sharing contribution. These plans are also deemed to satisfy the nondiscrimination requirements—including the top-heavy test.

## 3. Auto enrollment requirement

For plan years beginning on or after January 1, 2025, employers who have more than 10 employees and have been in business for three or more years, must implement an automatic enrollment provision with certain required features for a 401(k) plan or 403(b) plan established on or after December 29, 2022. This provision does not apply to SIMPLE 401(k) plans, church plans, or governmental plans.

**★ Benefit** Auto enrollment empowers employees from all salary spectrums to save for retirement and help address the retirement gap in America.

## Questions to ask your financial advisor or trusted tax professional:

- Which SECURE 2.0 provisions make implementing a retirement plan more affordable for small employers?
- What if I don't want a traditional 401(k) plan?
- What will a 401(k) plan do for my company in terms of tax benefits and employee retention?
- What do I need to think about in terms of how a plan is designed and set up?



### Businesses who can benefit from SECURE 2.0



Companies that have 1 to 5 employees, but do not offer a retirement plan



Family businesses or closely held businesses



Companies that have 15 to 20 employees, but do not have a robust HR department



Construction businesses



Businesses in states that have a state mandated retirement plan



Companies that provide professional services, such as medical services or legal services



Small employers looking to take advantage of tax credits, including the start-up credit

**FuturePlan is committed to helping advisors and small businesses in navigating this historic retirement plan legislation. Contact your sales representative to learn more.**

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