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SECURE Act vs. RESA

401(K) PLANS, BENEFITS
BY SCHNEIDER DOWNS PROFESSIONAL

On May 23rd, the U.S. House of Representatives overwhelmingly passed the "Setting Every Community Up for Retirement Enhancement" (SECURE) Act by a vote of 417 to 3. The bill is now in the Senate, where it needs to be passed and then signed by President Trump before it becomes law. The 29 provisions contained in the Act are the most significant changes to retirement plans since the 2006 Pension Protection Act made it easier for employers to automatically enroll their employees in 401(k) plans.

Below are some of the key updates in the 2019 bill:

- Creates Pooled Employer Plans/Open Multiple-Employer Plans, enabling small, unrelated employers to band together to be covered under one retirement plan with the same trustee, fiduciary, administrator, plan year and investment options, thus encouraging more small employers to offer retirement plans without incurring significant start-up and maintenance costs;
- Allows long-term part-time workers (those who work at least 500 hours for three consecutive years) to participate in 401(k) plans;
- Increases the tax credits offered to small business owners for retirement plan start-up costs and automatic enrollment adoption in 401(k) plans for new hires;
- Permits annuities to be offered in 401(k) plans, giving retired employees who are concerned about outliving their retirement assets a steady stream of income;
- Requires 401(k) participant statements to disclose monthly income payments based on the current account balance;
- Waives the 10% early distribution excise tax on up to $5,000 of in-service distributions used for childbirth or adoption expenses;
- Simplifies the rules and notice requirements for Safe Harbor 401(k) Plans pertaining to non-elective contribution;
- Increases the required minimum distribution age when retired participants must begin withdrawing from their retirement accounts to 72 (up from the current 70 ½);
- Repeals the maximum age for traditional IRA contributions (currently 70 ½).

The Senate currently has its own version of retirement legislation called the Retirement Security and Savings Act (RESA). While some of its provisions are similar to those in the SECURE Act, RESA would:

- Provide a new automatic Safe Harbor contribution arrangement with contributions starting at 6% of pay and automatic escalation to 10%; this new Safe Harbor also requires employers to match contributions of up to 10% of pay;

- Increase the catch-up contribution limit from $6,000 to $10,000 for participants over age 60;
- Allow employers to make matching contributions to 401(k) plans in the amount of the employee's student loan payment;
- Increase the required minimum distribution age from 70 ½ to 72 in 2023 and to 75 in 2030.
- Exclude those individuals with $100,000 or less in aggregate retirement savings from the required minimum distribution rules.

With similar provisions in both the House and Senate versions of retirement legislation, whether the Senate decides to vote on the SECURE Act or RESA, the differences will most likely be reconciled by a joint committee.

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