What the SECURE Act means for you

What impact will the SECURE Act have on your business?

Whether you have a qualified retirement plan for your employees or are a participant in such a plan, the SECURE Act could have a big impact on you. And because many of the act's provisions come with specific deadlines, knowing what actions you need to take over the next few years is critical.

While plan sponsors have until the end of the 2022 plan year to make required amendments to their plan document, they still must be operationally in compliance with SECURE Act provisions once those individual provisions become effective.

If your company has an existing qualified retirement plan

Are you a plan sponsor? Here's what has changed for companies with an existing qualified retirement plan:

- You can now elect safe harbor status for the 3% nonelective 401(k) contribution at any time prior to the 30th day before the close of the plan year.
  - Amendments after this date will be allowed only if a safe harbor nonelective contribution of 4% of compensation is contributed. The amendment must take place before the last day of the following plan year.
  - This significant change means employers have another avenue to correct failed ACP, ADP or top-heavy testing.
- Once every twelve months, you must provide a lifetime income disclosure to participants.
  - This disclosure shows the monthly lifetime income stream the participant would receive if they used their total account balance to purchase a joint and survivor annuity and a single-life annuity.
  - You will not be required to comply with this provision until after the Department of Labor releases guidance on how to model these disclosures.
- Unrelated employers can join a pooled employer plan (PEP).
  - Beginning in 2021, PEPs will be available as a new version of a multiple employer plan. Smaller employers can join together under one PEP in an attempt to reduce administrative expenses, which can be costly for new plans.
  - These PEPs come with certain requirements, and participating employers will still have a fiduciary duty.

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- Plans must cover long-term part-time employees.
    - If a part-time employee completes three consecutive 12-month periods with at least 500 hours of service in each period, they must be allowed to contribute to the plan — no later than January 1, 2024.
    - Plan sponsors do not need to provide employer contributions for these employees unless they meet the standard eligibility requirements.
    - Employers who have many long-term part-time employees could be hit with the requirement for an annual plan audit. Once the participant count reaches 121 as of the beginning of a plan year, the audit requirements apply.
    - This provision goes into effect in 2021. Plan sponsors may, but are not required to, count 12-month periods completed before January 1, 2021.

3 key ways individuals are affected by the SECURE Act

- There are now no age restrictions for contributing to a traditional IRA.
- For those reaching age 70.5 after December 31, 2019, the age for taking Required Minimum Distributions from 401(k)s, traditional IRAs and defined contribution plans has been raised from 70.5 to 72. Individuals can still make qualified charitable distributions beginning at age 70.5.
- If an individual inherits an IRA or 401(k) from someone other than their spouse, they must distribute its full value by the end of the 10th calendar year following the original owner's year of death, subject to certain exceptions. This only applies to IRAs and defined contribution plan benefits inherited from those who pass away after 2019.

Individuals impacted by SECURE Act changes may want to review their beneficiary designations and estate plan in order to maximize benefits under the new rules.

If your company does not yet sponsor a qualified retirement plan

If you don't yet have a set retirement plan for your employees, there are some SECURE Act changes that will be of interest to you:

- You could be eligible for new tax credits.
    - For starting a retirement plan, you could receive tax credits up to $5,000 per year for three years — that's 10 times what the credit was prior to the SECURE Act!
    - The credits apply for up to three years but can be claimed only by small employers. Contact us to find out if you are eligible.
    - These credits are in addition to the potential $500 credit for adding automatic enrollment to your plan.
- Plans don't have to be adopted prior to the end of the taxable year.
    - The SECURE Act now allows you to adopt a qualified retirement plan before the due date of your tax return (this includes extensions) for the taxable year and treat the plan as if it had been adopted as of the last day of that taxable year.

With these new benefits, it could be a great time for your business to start offering a retirement plan benefit for your employees.

Let's get started

Wipfli can help you and your business navigate the changes of the SECURE Act with a complimentary retirement plan analysis.*

Our specialists review your retirement plan and provide recommendations to not only comply with SECURE Act changes but also make overall improvements to the plan. Contact us at hcm@wipfli.com to learn more or get started.

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*The analysis will be performed by an affiliated firm Wipfli Financial Advisors, LLC ("Wipfli Financial"), at no cost. If you decide to engage Wipfli Financial for any services beyond the scope of the complimentary analysis, such services will be provided by Wipfli Financial pursuant to a separate engagement agreement.