New Features for Your Retirement Plan

Several important provisions of the Secure 2.0 Act went into effect on January 1, 2024 that add new features to workplace retirement savings plans.

The new features help student loan borrowers, emergency savers, and more.

The Secure 2.0 Act was signed into law in 2022. The Act called for numerous changes to retirement savings plans. Some provisions went into effect in 2023, but many are phased in over several years. Here is a summary of the new features for 2024 that may affect your 401(k), 403(b), or other workplace retirement savings plan. Keep in mind that employers are not required to offer some of these features, so check with your plan administrator to see if yours does.

Matching Student Loan Payments*

In an effort to help the millions of Americans with student loans to save more for retirement, the Act permits employers to make matching contributions to retirement plans based on an employee's student loan payments.

The amount of the match is calculated as if the employee had elected to contribute the loan repayment amount to the plan, even though they actually do not. Qualified employees in plans that offer this benefit are able to receive the match, even if they don't contribute to the plan. Eligible student loan payments include those made to repay any "qualified education loan" -- any indebtedness incurred by the employee solely to pay qualified higher education expenses. Eligible plans include 401(k), 403(b), 457(b), and SIMPLE-IRA plans. Student loan repayments considered for matching purposes cannot exceed the annual maximum deferral limit ($23,000 for 401(k)/403(b)/457(b) plans and $16,000 for SIMPLE plans in 2024), less the elective deferrals made by the employee.

Emergency Savings Accounts*

Employers are now allowed to offer plan participants an emergency savings account as part of their retirement plan. Participants can contribute up to 3% of their salary to this account, up to a maximum of $2,500. Contributions are made on a Roth, or after-tax basis, may be matched by the employer, and are treated as employee elective deferrals and count against the annual maximum deferral limit (see above). Withdrawals are tax free and not subject to early withdrawal penalty taxes. Withdrawals can be used to pay expenses related to personal or family emergencies, but there is no requirement that you demonstrate any immediate financial need or provide substantiation for a withdrawal.

Penalty-Free Emergency Withdrawals*

In addition to emergency savings accounts, beginning in 2024, the Act also allows for the penalty-free withdrawal of up to $1,000 per year from a qualified retirement plan account if the money is used to pay for unforeseeable, emergency expenses. Like any distributions from a traditional plan, emergency withdrawals are taxed as ordinary income, but the 10% penalty tax for distributions taken before the age of 59½ does not apply. Note, however, that penalty-free emergency withdrawals are an optional provision, and not all plans may offer it.

No More Required Minimum Distributions (RMDs) for ROTH Plan Accounts

With a traditional retirement plan, you are required to start taking minimum distributions no later than April 1 of the year following the year you turn age 73. Up until 2024, Roth-style plans were also subject to RMD rules. But now, RMDs are no longer required for Roth plan accounts. For those who already started taking RMDs from a Roth plan, those attributable to 2023 but payable in 2024 must still be taken, but none are required after that.

These new features make workplace retirement savings plans more attractive than ever. So make sure you are taking advantage of your plan by contributing as much as you can and getting the full employer match, if offered.

*Employers are not required to offer these features, so check with your plan administrator to see if yours does.