



Advice and Planning update

How will the SECURE Act 2.0 affect your retirement planning?

You may need to review your retirement planning strategies because of key provisions in the [SECURE Act 2.0](#). Some are already effective while others will be phased in over the next few years.

Currently effective

- [Required minimum distribution \(RMD\) age has increased](#)
- [You now have more flexibility when making Qualified Charitable Distributions \(QCD\) from your IRA](#)
- [Employers can offer matching contributions to qualified employer sponsored retirement plan \(QRP\) 401\(k\), 403\(b\), and governmental 457\(b\) designated Roth accounts](#)

Starting in 2024

- [You no longer have to take RMDs from QRP designated Roth accounts](#)
- [529 designated beneficiaries may be able to rollover unused amounts to a Roth IRA](#)
- [If you're paying off student loans, your employer may be able to match your payments in certain retirement plans](#)
- [You may be able to contribute to an employer-sponsored emergency fund savings account](#)

Starting in 2025

- [If you're age 60 – 63, you can make larger catch-up contributions to QRPs and SIMPLE IRAs](#)

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Changes currently effective

New rules created when the Consolidated Appropriation Act of 2023 was signed into law by President Biden on December 20, 2022, can make saving for and living in retirement easier. You may want to consider potential opportunities to adjust your retirement savings and distribution plans and charitable giving strategies.

1. Should you wait an extra year to take distributions from your retirement accounts?

The RMD age has increased to age 73 for individuals who turn age 72 in 2023. This means they do not have an RMD due in 2023. Individuals who turned age 72 in 2022 or earlier must continue taking their RMDs as scheduled.



Planning considerations

Whether you should take advantage of this additional year of tax-deferred investment growth potential depends on your tax situation now and in the future. Here are things to think about:

- *Have you accumulated enough funds to meet your retirement needs to start distributing them when you are eligible?*
- *How will an additional year of tax-deferred growth in your retirement savings impact your overall tax situation once you start taking distributions? How will it affect the tax situation of any beneficiaries who might inherit your IRA?*
- *Do you have money to pay additional taxes owed if you decide to convert your before tax retirement accounts to a Roth IRA? A Roth conversion now may help reduce the amount of your RMDs and potentially lower your taxes in the future; Roth conversions can be a great way to get money into a tax-free bucket for you and possibly your beneficiaries.*

2. Does making qualified charitable distributions (QCDs) make sense for you?

QCDs are available to those age 70½ or older and have a Traditional IRA and/or Traditional Inherited IRA. Beginning in 2023, you may distribute a one-time \$50,000 QCD paid directly from your IRA to certain split-interest entities that qualify under the new rule. The \$50,000 is part of the \$100,000 QCD annual limit.



Planning considerations

The rules governing what split-interest entities are allowed to receive the one-time \$50,000 amount are complex so consult a planning or philanthropic specialist who can provide more information.

Before determining if a QCD is suitable for your situation you may want to ask the following:

- *Are QCDs a fitting option for contributing to charity while helping to effectively manage current and future retirement account distributions?*
- *Does the increase in the RMD age provide the opportunity to lower future RMDs by giving you more time to make charitable donations from your IRA before your RMDs start?*
- *What are the current and future tax implications of this gifting strategy along with the associated costs?*

3. Should you direct employer matching contributions to your before-tax QRP account or designated Roth account?

Your employer may now offer you the option of receiving vested matching contributions in a QRP designated Roth account instead of a QRP before-tax salary deferral account. Contributions to a designated Roth account are made with after-tax dollars and qualified distributions are tax-free.¹



Planning considerations

There may be benefits to contributing to a designated Roth account. Here are some things to consider:

- *This could be an opportunity for you if you are in a lower tax rate now than you may be in the future because your qualified distributions, which are tax-free, include any potential earnings that would be taxed when distributed from the QRP before-tax salary deferral account.*
- *Generally, when you retire or leave an employer, you can roll over your designated Roth account into a Roth IRA. Any amounts left in your Roth IRA when you die can be taken by your beneficiaries generally tax-free.*

Changes effective January 1, 2024

Additional changes to retirement and retirement account distributions go into effect in 2024.

1. Should you consider rolling over your designated Roth account assets into a Roth IRA?

Currently, if you have a Roth IRA, you are not required to take RMDs while you're alive, but you do have to take them from a designated Roth account. Starting in 2024, you will no longer have to take RMDs from either type of Roth account.



Planning considerations

Even though you will no longer be required to take RMDs from your designated Roth account, you should still evaluate whether leaving it with your employer or rolling the assets to a Roth IRA is more appropriate for you.

Some factors to consider include:

- *The investment options offered in your plan*
- *Whether you would like your money to be professionally managed*
- *Whether it makes sense to consolidate all your retirement accounts.*

When considering rolling over assets from an employer plan to an IRA, keep in mind that rolling over assets to an IRA is just one of multiple options, including leaving assets in your former employer's plan (if the plan allows), moving assets into a new employer's plan (again, if the plan allows), and, finally, cashing-out or taking a lump-sum distribution. Factors that should be considered and compared between the employer plan and the IRA include fees and expenses, services offered, investment options, when penalty free withdrawals are available, treatment of employer stock, when required minimum distributions begin, protection of assets from creditors, and bankruptcy. Investing and maintaining assets in an IRA will generally involve higher costs than those associated with employer-sponsored retirement plans. You should consult with the plan administrator and a professional tax advisor before making any decisions regarding your retirement assets.

1. Distributions are qualified when a designated Roth account has been funder for more than five years and the employee is age 59½, or disabled, or taken by their beneficiaries after the employee's death.

2. Would a 529 plan designated beneficiary get a head start on saving for retirement by transferring their unused balance to a Roth IRA?

Beginning in 2024, a 529 designated beneficiary may make a rollover contribution from their 529 to their Roth IRA if certain conditions are met. Distributions are subject to annual Roth contribution limits, the 529 beneficiary must have equivalent earned compensation, and the aggregate distributions are limited to a \$35,000 lifetime amount.

To qualify, the 529 account must have been in existence for at least 15 years and the amount rolled over to the Roth IRA may not exceed the aggregate amount contributed (plus earnings) before the five-year period ending on the transfer date.



Planning considerations

It's hard to determine how much a child or grandchild will need for college when they are young and, as a result, how much you should invest in a 529 plan. You may worry that you're contributing too much since the earnings portion of any funds distributed but not used for qualified education expenses are subject to income tax and potentially a 10% additional tax.

Starting in 2024, you may have some additional flexibility in what you can do with excess funds as part of a well thought-out gifting strategy.

The potential benefits of rolling over from a 529 plan to a Roth IRA include:

- *Helping jump-start the 529 beneficiary's retirement savings through tax-advantaged growth potential. Using Roth assets as a down payment on a house. Roth contributions, including rollover contributions, but not earnings, may be taken out anytime and not included in gross income tax.*

3. Will you get credit for your student loan payments?

If you are paying off qualified student loans, your employer will have the option to match your loan payments with contributions to a retirement account, offering you an additional incentive to save for retirement. For this purpose, matching contributions can be made into a 401(k), 403(b), governmental 457(b) or SIMPLE IRA plan.



Planning considerations

If you've been putting off saving for retirement because of high student loan payments, this should be welcome news. If your employer offers a matching contribution, be sure to inform your human resources department and/or plan administrator to get credit for these payments.

According to the Bureau of Labor Statistics, saving early for retirement is the best way to maintain financial independence and security later in life.² The sooner you start saving, the less you may need to save in your remaining work years. You also have more time to take advantage of dollar cost averaging and the potential power of compounded returns.

2. "Saving Early for Retirement," Bureau of Labor Statistics, Fall 2013, <https://www.bls.gov/careeroutlook/2013/fall/art02.pdf>

4. Should you take advantage of employer-sponsored emergency savings accounts linked to individual account plans?

Your company will have the option to automatically sign you up for an emergency savings account for up to 3% of your salary or up to \$2,500, indexed for inflation, to your retirement plan if you earn less than a certain amount of money. These contributions would be made on an after-tax basis with the potential for an employer match. If your company participates, you will be allowed at least one withdrawal per month and the first four withdrawals in a year cannot be subject to any plan fees.



Planning considerations

A good rule of thumb is to have three to six months (or more depending on your situation) of savings available for emergencies. Sometimes, you may have good intentions but unfortunately either forget to put funds away or end up spending them, which hinders your chance of meeting this objective.

This change makes it easier to pursue this goal since contributions can automatically be withheld from your paycheck, thereby removing the possibility of you spending the money. Once the emergency account is funded to the plan maximum, you could stop contributing or divert funds to your other Roth defined contribution plan, if available, to save even more money.

Change effective January 1, 2025

The big change in 2025 is in retirement saving catch-up contribution limits.

Should you take advantage of higher retirement catch-up contributions?

Currently, if you're age 50 or older and you want to increase your tax-advantaged retirement savings you can make an additional \$7,500 contribution annually to your QRP and \$3,500 to a SIMPLE IRA.

Beginning in 2025, if you're aged 60 – 63, you will be able to increase that amount to the greater of \$10,000, indexed for inflation, (\$5,000, indexed for inflation, for a SIMPLE IRA) or 150% of your catch-up contributions for the year.

The increased catch-up amounts will be adjusted for inflation beginning in 2025. If your wages exceed \$145,000, indexed for inflation, in the preceding calendar year, you will be required to make your catch-up contributions to a designated Roth account.



Planning considerations

The increased catch-up contribution limits will provide an opportunity to contribute more of your earning to retirement plans that may help you grow your savings tax advantaged.

If your wages are below \$145,000, consider whether you should make catch-up contributions with before-tax dollars or with after-tax dollars to your designated Roth account.

[*Additional information on taxes and retirement*](#)



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