

A guide to SECURE 2.0

Key provisions that affect your company's retirement plan



On December 29, 2022, President Biden signed into law the SECURE 2.0 Act as part of the Consolidated Appropriations Act, 2023. SECURE 2.0 contains more than 90 required and optional provisions, with effective dates ranging from December 29, 2022 through 2033. Vanguard has been and remains a supporter of this legislation because it aims to make saving easier for plan participants and administering retirement plans simpler for plan sponsors.

We continue to review the law and are awaiting additional government and regulatory guidance on some of the changes. In the meantime, we're pressing ahead with current guidance on key provisions so that plan sponsors are in compliance by the deadlines.

Vanguard is addressing the significant volume of SECURE 2.0 provisions based on:

- 1. The urgency to implement required provisions by deadlines.**
- 2. The impact to participant retirement preparedness for the optional provisions.**

We're prioritizing required provisions first. Then we'll work with plan sponsors to identify which of the optional provisions are a best fit for them and their participants based on our shared mission to help drive financial wellness and positive participant outcomes.

We'll update the tables below as more information becomes available.

Key provisions for the SECURE 2.0 Act

Required provisions: **Effective immediately (2023–2024)**

Provision	Effective date	Summary of provision	Whom it affects	Notable considerations for plan sponsors
Long-term part-time (LTPT) eligibility	January 1, 2024 (SECURE Act)	SECURE 1.0 mandates that part-time employees who work at least 500 hours in each of three consecutive years must be eligible to make elective deferrals to their employer's 401(k) retirement savings plan.	401(k) plans, 403(b) plans (SECURE 2.0 only)	<p>On November 24, 2023, the Internal Revenue Service (IRS) issued a proposed regulation providing guidance on the SECURE Act of 2019 and SECURE 2.0 Act of 2022 provisions regarding LTPT employees.</p> <p>The regulation will apply to plan years beginning on or after January 1, 2024, and plan sponsors can rely on the proposal until the regulation is finalized or other guidance is issued.</p>
Eliminate pre-death required minimum distribution (RMD) from Roth accounts	January 1, 2024	Exempts Roth amounts in retirement plans from pre-death RMDs effective for tax years after December 31, 2023.	401(k), 403(b), governmental 457(b), 401(a), money purchase	Vanguard updated our participant experience, content, and forms. We're also updating our processes and systems to support the new provision.
Surviving spouse RMD election	January 1, 2024	<p>Allows surviving spousal beneficiaries to elect to be treated as the deceased retirement-plan participant for purposes of RMD rules. This means that the surviving spousal beneficiary can delay their initial RMD until the latter of the year they attain age 73 or when the participant would have reached age 73.</p> <p>Additionally, the RMD may be lower because the calculation, if elected by the surviving spouse, would be based on the Uniform Lifetime Table instead of the Single Life Expectancy Table used for beneficiaries.</p>	401(k), 403(b), governmental 457(b), non-governmental 457(b), 401(a), money purchase, defined benefit	Vanguard updated our participant experience, content, and forms. We're also updating our processes and systems to support the new provision.
Auto portability exemption	January 1, 2024	<p>Creates a statutory exemption under the Code that provides relief for the receipt of fees and compensation by an automatic portability provider in connection with an automatic portability transaction, as long as certain notice and other requirements are met.</p> <p>Effective for transactions occurring on or after 12 months following SECURE 2.0's enactment.</p>	401(k), 403(b), governmental 457(b), 401(a), money purchase	Vanguard has updated our participant experience, processes, and systems to support this provision.

The following required provisions became effective January 1, 2023. Vanguard has updated our systems to be in compliance.

Provision	Effective date	Summary of provision	Whom it affects	Notable considerations for plan sponsors
RMD age increase	January 1, 2023	The age at which participants must start taking RMDs increased from 72 to 73. The age will increase from 73 to 75 in 2033.	401(k), 403(b), governmental 457(b), non-governmental 457(b) 401(a), money purchase, defined benefit	Vanguard has updated our participant experience, processes, and systems to support this provision.
Reduce excise tax for RMDs	January 1, 2023	Reduces excise tax on the failure to take RMDs from 50% to 25%, and to 10% if the late distribution is corrected in a timely manner, effective for RMDs missed in calendar years beginning on or after January 1, 2023.	401(k), 403(b), governmental 457(b), non-governmental 457(b) 401(a), money purchase, defined benefit	Participants with missed RMDs may wish to consult a tax advisor.
Domestic relations order—tribal courts	January 1, 2023	Tribal courts are now included in the list of courts authorized under federal law to issue qualified domestic relations orders (QDROs).	401(k), 403(b), governmental 457(b), 401(a), money purchase	No further updates at this time.
Qualified birth or adoption repayment	January 1, 2023	SECURE 2.0 clarifies that the repayment period for qualified birth and adoption distributions is three years from the date of the original distribution.	401(k), 403(b), governmental 457(b), 401(a)	This is further clarification for a provision that was originally added for SECURE 1.0.

The following required provision became effective upon the passage of SECURE 2.0. Vanguard has updated our systems to be in compliance.

Provision	Effective date	Summary of provision	Whom it affects	Notable considerations for plan sponsors
Early distribution exemption for private-sector firefighters	December 29, 2022	Private-sector firefighters who take a distribution upon separation from service after age 50 will not be subject to the early distribution penalty of 10%.	457(b) governmental	No further updates at this time.

Optional provisions: **Effective immediately (2021–2024)**

Provision	Effective date	Summary of provision	Whom it affects	Considerations for plan sponsors
Qualified disaster recovery distribution	January 26, 2021	<p>A plan may permit distributions of up to \$22,000 for people affected by a federally declared disaster. These distributions would not be subject to the 10% early withdrawal penalty and may be repaid within three years of distribution.</p> <p>Taxes on the distribution are spread over three years unless the participant chooses otherwise.</p> <p>Plans may also offer special loan provisions, including offering loans with an increased limit of up to \$100,000 (or full vested balance) and suspending existing loan repayments for up to a year.</p>	401(k), 403(b), governmental 457(b), 401(a), money purchase	Vanguard offers this distribution type as of January 1, 2024.
Employer contributions treated as Roth contributions	December 29, 2022	Allows employees to designate that all or part of their 100% vested employer matching contributions or nonelective contributions made after enactment be treated as Roth contributions.	401(k), 403(b), governmental 457(b)	This is optional at both the plan and participant level. The IRS issued updated guidance for this provision on December 20, 2023.
Self-certification for hardship withdrawals	January 1, 2023	SECURE 2.0 modifies the current hardship rules to allow plans to permit participants to self-certify that a distribution meets the requirements for a hardship withdrawal.	401(k), 403(b), governmental 457(b)	Vanguard offers three ways to administer hardship withdrawals. We recommend our summary offer, which does not require the participant requesting a hardship withdrawal to supply supporting documentation. It does require the participant to have that documentation available should it ever be requested.
Updates to participant notices and disclosures	January 1, 2023	This provision exempts plans from having to provide notices and disclosures to unenrolled participants, effective for plan years beginning on or after January 1, 2023.	401(k), 403(b), governmental 457(b), 401(a), money purchase	Vanguard is actively working on a solution to support this provision.
Personal emergencies: distributions	January 1, 2024	<p>Not all employees have sufficient savings for an emergency. An optional feature that would give employees access to retirement funds for emergencies includes allowing a distribution of up to \$1,000 for personal or family emergency expenses.</p> <p>Only one distribution per year is allowed, and participants cannot take additional distributions for three years unless they repay their first distribution. The distribution may be repaid as a lump sum or through ongoing elective deferrals. Once repaid, a participant can take another emergency savings withdrawal after 12 months instead of three years.</p>	401(k), 403(b), governmental 457(b), 401(a), money purchase	Vanguard is actively working on a solution to support this provision.

Provision	Effective date	Summary of provision	Whom it affects	Considerations for plan sponsors
Personal emergencies: emergency savings accounts	January 1, 2024	<p>Not all employees have sufficient savings for an emergency. An optional feature that would give employees access to retirement funds for emergencies includes offering an emergency savings account within a retirement plan for non-highly compensated employees. These employees may elect to make contributions to the emergency savings account or be automatically enrolled at a rate of no more than 3% of compensation. Amounts are contributed on a Roth basis and may be eligible for an employer match at the same rate as other deferrals. The maximum amount that may be contributed to the account is \$2,500.</p> <p>Withdrawals must be permitted at least once a month, and the first four withdrawals per year may not be subject to a withdrawal fee.</p>	401(k), 403(b), 401(a), money purchase	Vanguard is evaluating this provision while awaiting further clarification. Vanguard is also actively working on an out-of-plan emergency savings solution.
Matching contributions for student loans	January 1, 2024	<p>Plan sponsors may opt to make matching contributions on qualified student loan repayments without requiring employees to make elective deferrals.</p> <p>To be considered a qualified student loan repayment, the payment must be made by a participant to pay qualified higher education expenses. In addition, the total amount of the participant's qualified student loan payment cannot exceed the participant's compensation or the deferral limit, whichever is less. The combined total of the participant's qualified student loan payments and elective deferrals cannot exceed the Internal Revenue Code Section 402(g) limit.</p> <p>SECURE 2.0 allows for separate average deferral percentage (ADP) testing for student-loan matching contributions.</p>	401(k), 403(b), governmental 457(b)	No further updates at this time.
Withdrawals for domestic abuse	January 1, 2024	<p>Plan sponsors may elect to allow a withdrawal for domestic abuse victims in the amount of the lesser of \$10,000 or 50% of the participant's vested account balance without being subject to the 10% early withdrawal penalty. The amount may be repaid within three years of distribution.</p>	401(k), 403(b), governmental 457(b), 401(a)	Vanguard is actively working on a solution to support this provision.

Provision	Effective date	Summary of provision	Whom it affects	Considerations for plan sponsors
Hardship withdrawal rules for 403(b) plans	January 1, 2024	The Bipartisan Budget Act of 2018 (BBA) expanded the hardship rules for 401(k) plans to include more contribution sources and to not require a loan be taken prior to a hardship withdrawal. SECURE 2.0 removes inconsistencies between hardship rules for 401(k) plans and 403(b) plans by allowing 403(b) plan participants to receive hardship distributions from salary reduction contributions; QNECs; QMACs; and account earnings on any salary reduction contributions, QNECs, and QMACs. Also, an employee is not required to take a loan prior to being eligible for a hardship withdrawal.	403(b)	Vanguard is actively working on a solution to support this provision.
Automatic cash-out limit increases	January 1, 2024	When a participant separates from service, the employer may choose to distribute (i.e., cash out) the participant's vested account balance without consent if the balance is under \$5,000 (or less as prescribed by the plan). Amounts between \$1,000 and \$5,000 are automatically rolled over to an IRA, while amounts of less than \$1,000 are paid as a lump sum. SECURE 2.0 increases this limit from \$5,000 to \$7,000.	401(k), 403(b), 401(a), money purchase, defined benefit	Vanguard intends to offer this provision in 2024.
Top-heavy rule changes for excludable employees	January 1, 2024	Plan sponsors may exclude participants who have not met the minimum age and service requirements when determining if any plan of the employer satisfies the top-heavy minimum contribution requirement.	401(k), 401(a)	Vanguard is actively working on a solution to support this provision.
Eliminates "first day of the month" deferral-election requirement	Taxable years beginning after December 29, 2022	A participant can elect to defer compensation in a current month as long as the deferral agreement is entered into before the compensation is made available. It does not modify the deferral timing for 457(b) plans of nongovernment tax-exempt entities.	Governmental 457(b)	Vanguard is actively working on a solution to support this provision.

Required provisions: **Effective in 2025–2026**

Provision	Effective date	Summary of provision	Whom it affects	Considerations for plan sponsors
Long-term part-time (LTPT) eligibility	January 1, 2025	SECURE 2.0 mandates that part-time employees who work at least 500 hours in each of two consecutive years must be eligible to make elective deferrals to their employer's retirement savings plan.	401(k), 403(b)	<p>On November 24, 2023, the Internal Revenue Service (IRS) issued a proposed regulation providing guidance on the SECURE Act of 2019 and SECURE 2.0 Act of 2022 provisions regarding LTPT employees.</p> <p>The regulation will apply to plan years beginning on or after January 1, 2024, and plan sponsors can rely on the proposal until the regulation is finalized or other guidance is issued.</p>
Expanded automatic enrollment in retirement plans	Applies to contributions made after January 1, 2025	<p>Employers with more than 10 employees and who have been in business for three or more years must implement an automatic enrollment provision for a new 401(k) or 403(b) plan established on or after December 29, 2022.</p> <p>Existing plans are grandfathered and are not required to offer automatic enrollment. Beginning January 1, 2025, the initial deferral percentage:</p> <ul style="list-style-type: none"> • Must be at least 3% but cannot exceed 10%. • Must automatically increase yearly by 1% until reaching at least 10% (but not exceeding 15%). <p>Automatically enrolled participants may affirmatively elect to defer a higher or lower percentage or may choose not to defer. This provision does not apply to church or government plans.</p>	401(k), 403(b)	This provision does not apply to plans in existence before December 29, 2022. The IRS issued updated guidance for this provision on December 20, 2023.
Retirement savings lost and found	2025	<p>SECURE 2.0 directs the Department of Labor (DOL) to create a searchable online retirement savings lost and found database that will enable workers to locate retirement benefits to which they may be entitled. No transfer of assets is required.</p> <p>Plan sponsors will be required to provide certain participant information to the DOL to help populate the database for plan years beginning on or after January 1, 2024.</p>		Vanguard is awaiting further guidance from the Department of Labor.

Provision	Effective date	Summary of provision	Whom it affects	Considerations for plan sponsors
Roth catch-up contributions	2026	<p>SECURE 2.0 changes how some participants must make catch-up contributions. While initially effective January 1, 2024, the provision is now effective January 1, 2026, based on an administrative delay issued by the Internal Revenue Service (IRS).</p> <p>Beginning with the 2026 taxable year, participants age 50 or older who earned more than \$145,000 in FICA wages in the previous year will be required to make catch-up contributions as Roth contributions.</p> <p>Participants who earned \$145,000 or less may continue to make pre-tax catch-up contributions. (Only compensation from the employer sponsoring the plan counts toward the \$145,000 limit).¹</p> <p>Plans must also offer Roth contributions if they want to continue to offer catch-up contributions.</p>	401(k), 403(b), governmental 457(b)	<p>As a result of updated IRS guidance, plan sponsors currently offering catch-up contributions without a Roth contribution option now have until December 31, 2023, to provide Vanguard with instructions on how they would like to comply.</p> <p>For plan sponsors who have Implementation Services (IS) projects currently in progress, Vanguard will continue to follow the direction received and complete the requested design changes by January 1, 2024. Plan sponsors with plan design changes in progress who would like to take advantage of the two-year administrative transition period should reach out to their Vanguard client team as soon as possible.</p>
Annual paper statement	2026	Defined contribution plans must provide at least one paper benefit statement each year unless the participant specifically elects electronic delivery.	401(k), 403(b), 401(a), money purchase, defined benefit	Vanguard is prepared to be in compliance by the effective date.

Optional provisions: **Effective in 2025–2027**

Provision	Effective date	Summary of provision	Whom it affects	Considerations for plan sponsors
Catch-up contributions	January 1, 2025	SECURE 2.0 increases the catch-up limit for participants ages 60–63 to the greater of \$10,000 or 150% of the then-current catch-up limit.	401(k), 403(b), governmental 457(b)	Beginning at age 64, the regular catch-up limits apply.
Saver's match	January 1, 2027	The saver's credit for contributions to retirement plans and IRAs will no longer be refunded in cash. Credits greater than \$100 will be deposited into the taxpayer's 401(k), 403(b), or IRA. Credit will equal 50% of contributions up to \$2,000 per person, with an income-based phaseout.	401(k), 403(b), governmental 457(b)	Vanguard is prioritizing provisions with more immediate effective dates. Plans will need to determine whether they'll accept the credit.

¹ Beginning in 2025, the FICA wage limit will be indexed in increments of \$5,000.

Have questions? Ask us.

We're committed to working with you to help implement the provisions of SECURE 2.0. If you need additional information or have questions, we're here to assist. Please contact your Vanguard representative or your retirement plan advisor to learn more.

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