

# A guide to SECURE 2.0

Key provisions that affect your company's  
retirement plan

LAST UPDATED: AUGUST 2024



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 importance of implementing required provisions by their respective effective dates.**
- 2. The impact of optional provisions and their ability to drive financial wellness, provide additional flexibility, and ease administrative burden for plan sponsors.**

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 as more information becomes available.

# SECURE 2.0 Act effective dates

	2021–2023	2024	2025	2026	2027-2033
<b>REQUIRED</b>	<ul style="list-style-type: none"> <li>• RMD age increase from 72 to 73</li> <li>• Qualified birth and adoption distribution (QBAD)</li> <li>• Tribal Government Domestic Relations Order</li> <li>• Early distribution exemption for private-sector firefighters</li> <li>• Reduce excise tax for RMDs</li> </ul>	<ul style="list-style-type: none"> <li>• Eliminate pre-death required minimum distribution (RMD) from Roth accounts</li> <li>• Surviving spouse RMD election</li> <li>• Safe Harbor for Correcting Elective Deferral Failures</li> <li>• Long-term part-time (LTPT) worker eligibility (SECURE 1.0)</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced eligibility period for LTPT employees; expansion to 403(b) plans (SECURE 2.0)</li> <li>• Mandatory automatic enrollment for new plans</li> <li>• Retirement savings lost and found</li> </ul>	<ul style="list-style-type: none"> <li>• Roth catch-up contributions</li> <li>• Annual paper statements</li> <li>• Plan amendment deadline*</li> </ul>	<ul style="list-style-type: none"> <li>• RMD age increase to 75 (2033)</li> </ul>
<b>OPTIONAL</b>	<ul style="list-style-type: none"> <li>• Terminal illness exception</li> <li>• Recovery of retirement plan overpayments</li> <li>• Qualified Disaster Recovery Distribution (QDRD)</li> <li>• Self-certification for hardship withdrawals</li> <li>• Employer contributions treated as Roth contributions</li> <li>• Expansion of the Employee Plans Compliance Resolution System (EPCRS)</li> <li>• Eliminate the “first day of the month” requirement for governmental 457(b) plans</li> </ul>	<ul style="list-style-type: none"> <li>• Exemptions for certain auto portability transactions</li> <li>• Automatic cash-out limit increase</li> <li>• Pension-linked emergency savings account (PLESA)</li> <li>• Matching contributions for student loans</li> <li>• Emergency expense withdrawals</li> <li>• Withdrawals for domestic abuse (WDA)</li> <li>• Hardship withdrawal rules for 403(b) plans</li> <li>• Top-heavy rule changes for excludable employees</li> </ul>	<ul style="list-style-type: none"> <li>• Higher catch-up contribution limit</li> </ul>		<ul style="list-style-type: none"> <li>• Saver’s match (2027)**</li> </ul>

\*Notice 2024-2 extended the deadline to adopt amendments that relate to the CARES Act, the SECURE Act, and SECURE 2.0 to December 31, 2026 (regardless of plan year).  
 \*\*Saver’s credit will become Saver’s match in 2027.

# Key provisions for the SECURE 2.0 Act

## Required provisions: Effective 2021–2024

Vanguard has updated our systems to be in compliance.

Provision	Effective date	Summary of provision	Whom it affects	Notable considerations for plan sponsors
<b>Early distribution exemption for private-sector firefighters</b>	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%.	Governmental 457(b)	No further updates at this time.
<b>RMD age increase from 72 to 73</b>	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.
<b>Reduce excise tax for RMDs</b>	January 1, 2023	SECURE 2.0 reduces the 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.
<b>Tribal Government Domestic Relations Order</b>	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.
<b>Qualified birth and adoption distribution (QBAD)</b>	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.
<b>Safe Harbor for Correcting Elective Deferral Failures</b>	January 1, 2024	Allows employers to correct reasonable auto-enrollment and auto-escalation errors within 9½ months after the end of the year in which the error occurred, without making up missed deferrals.	401(k), 403(b), 457(b)	Vanguard has implemented this provision. No further updates at this time.

Provision	Effective date	Summary of provision	Whom it affects	Notable considerations for plan sponsors
<b>Long-term part-time (LTPT) worker eligibility (SECURE 1.0)</b>	January 1, 2024	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	<p>On November 24, 2023, the Internal Revenue Service (IRS) issued a <a href="#">proposed regulation</a> 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>
<b>Eliminate pre-death required minimum distribution (RMD) from Roth accounts</b>	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 also updated our processes and systems to comply with this provision.
<b>Surviving spouse RMD election</b>	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 also updated our processes and systems to comply with this provision.

# Key provisions for the SECURE 2.0 Act

## Optional provisions: Effective 2021–2024

Provision	Effective date	Summary of provision	Whom it affects	Considerations for plan sponsors
<b>Qualified Disaster Recovery Distribution (QDRD)</b>	January 26, 2021	<p>A new distribution type under the Automatic Disaster Relief provision, a plan may now permit distributions of up to \$22,000 for people affected by a federally declared disaster. These distributions are not subject to the 10% 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>	401(k), 403(b), governmental 457(b), 401(a), money purchase	Vanguard is taking a phased approach to implement this provision. Participant distributions became available as of January 1, 2024, with expanded technology capabilities launching in Q1 2025.
<b>Employer contributions treated as Roth contributions</b>	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 <a href="#">updated guidance</a> for this provision on December 20, 2023.
<b>Terminal illness exception</b>	December 29, 2022	<p>Creates an exception to the 10% early distribution penalty tax for terminally ill individuals who take a distribution from a qualified plan.</p> <p>Participants who take a distribution at or after a physician has certified they are terminally ill have the option to repay any portion of the distribution within three years.</p>	401(k), 403(b), 401(a)	<p>On December 20, 2023, the IRS delivered guidance about this exception in <a href="#">Notice 2024-2</a>. Key takeaways from the guidance can be found on <a href="#">Vanguard.com</a>.</p> <p>An expected technical corrections bill has the potential to establish a separate distribution option for terminal illness. If a separate distribution reason for terminal illness becomes available, we will reevaluate our service offer and share additional information at that time.</p>
<b>Eliminate the “first day of the month” requirement for governmental 457(b) plans</b>	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.
<b>Recovery of retirement plan overpayments</b>	December 29, 2022	Plans will no longer be considered non-compliant for failing to recoup inadvertent retirement plan overpayments. However, plans that decide to recoup overpayments are subject to certain limitations on how they may be collected.	401(a), 403(a), 403(b)	Vanguard has implemented this provision. No further updates at this time.

Provision	Effective date	Summary of provision	Whom it affects	Considerations for plan sponsors
<b>Expansion of the Employee Plans Compliance Resolution System (EPCRS)</b>	December 29, 2022	SECURE 2.0 expands the ability for plan sponsors to self-correct plan either via the self-correction program (SCP), the voluntary correction program (VCP), or the audit closing agreement program (Audit CAP).	401(a), 401(k) 403(b) (varies depending on correction)	The IRS issued <a href="#">Notice 2023-43</a> in August 2023 providing interim guidance about how a plan can self-correct under EPCRS. EPCRS must be updated no later than December 29, 2024—two years after the enactment of SECURE 2.0.
<b>Self-certification for hardship withdrawals</b>	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)	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. Vanguard is actively working on a solution to support this provision and expects it to be available to plan sponsors and participants in Q1 2025.
<b>Updates to participant notices and disclosures</b>	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.
<b>Emergency expense withdrawals</b>	January 1, 2024	<p>Not all employees have sufficient savings for an emergency. This is an optional feature that would give employees access to retirement funds for emergencies that 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 expense withdrawal the next calendar year after the previous distribution.</p>	401(k), 403(b), governmental 457(b), 401(a), money purchase	Vanguard is actively working on a solution to support this provision and expects it to be available to plan sponsors and participants in Q1 2025.

Provision	Effective date	Summary of provision	Whom it affects	Considerations for plan sponsors
<b>Pension-linked emergency savings account (PLESA)</b>	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 nonhighly 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	<p>On January 12, 2024, the IRS issued guidance for PLESAs in <a href="#">Notice 2024-22</a>. Notice 2024-22 provides clarification on eligibility and participation, contributions and distributions, and administration and investments. Additional guidance is expected.</p> <p>Vanguard is evaluating this provision while awaiting further clarification and is also actively working on an out-of-plan emergency savings solution.</p>
<b>Exemptions for certain auto portability transactions</b>	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	The DOL issued a proposed regulation on January 18, 2024, designed to implement the statutory prohibited transaction exemption enacted under SECURE 2.0. The public comment period is closed and we are awaiting the final regulation.
<b>Matching contributions for student loans</b>	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)	Vanguard is actively working on a solution to support this provision. If interested in Student Loan Match, Vanguard advises plan sponsors to begin engaging with their payroll provider and ERISA counsel to discuss considerations.



Provision	Effective date	Summary of provision	Whom it affects	Considerations for plan sponsors
<b>Withdrawals for domestic abuse (WDA)</b>	January 1, 2024	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.	401(k), 403(b), governmental 457(b), 401(a)	Vanguard is actively working on a solution to support this provision and expects it to be available to plan sponsors and participants in Q1 2025.
<b>Hardship withdrawal rules for 403(b) plans</b>	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 has implemented a solution to this provision in Q2 2024. Plan sponsors interested in this provision are encouraged to talk to their Vanguard client success executive to determine next steps for their plan.
<b>Automatic cash-out limit increase</b>	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 has updated our participant experience, processes and systems to support this provision for non-QJSA plans.  Due to the spousal consent limit, Vanguard's automatic cash-out limit increase offer is not yet available for QJSA plans.
<b>Top-heavy rule changes for excludable employees</b>	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.

# 2025 and beyond



## Required provisions: Effective 2025–2033

Provision	Effective date	Summary of provision	Whom it affects	Considerations for plan sponsors
<b>Reduced eligibility period for LTPT employees; expansion to 403(b) plans (SECURE 2.0)</b>	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 <a href="#">proposed regulation</a> providing guidance on the SECURE Act of 2019 and SECURE 2.0 Act of 2022 provisions regarding LTPT employees.</p> <p>This updated regulation will apply to plan years beginning on or after January 1, 2025. Plan sponsors can rely on the proposal until the regulation is finalized or other guidance is issued.</p>
<b>Mandatory automatic enrollment for new plans</b>	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"> <li>• Must be at least 3% but cannot exceed 10%.</li> <li>• Must automatically increase yearly by 1% until reaching at least 10% (but not exceeding 15%).</li> </ul> <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 <a href="#">updated guidance</a> for this provision on December 20, 2023.
<b>Retirement savings lost and found</b>	January 1, 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>	Applies to plans subject to the vesting standards under ERISA §203.	<p>On April 16, 2024, the Department of Labor (DOL) issued a <a href="#">Notice of Proposed Information Collection Request</a> asking plan sponsors to provide extensive plan and participant data to populate this database.</p> <p>Plan sponsors would initially voluntarily furnish information needed for this database as an attachment to their Form 5500, beginning with the 2023 Plan Year Filing. Subsequently, the DOL intends to establish a portal for plans to submit this information directly to the database.</p>

Provision	Effective date	Summary of provision	Whom it affects	Considerations for plan sponsors
<b>Roth catch-up contributions</b>	January 1, 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).<sup>1</sup></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>Plan sponsors currently offering catch-up contributions without a Roth contribution option should provide Vanguard with instructions on how they would like to comply with the Roth catch-up provision as soon as possible.</p> <p>Plan sponsors who submit a new request to either add a Roth contribution option or eliminate catch-up contributions will see these plan design changes implemented throughout 2024 and 2025.</p>
<b>Annual paper statements</b>	January 1, 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.
<b>RMD age increase to 75</b>	January 1, 2033	The age at which participants must start taking RMDs increases to 75 (after having been set to age 73 in 2023).	401(k), 403(b), governmental 457(b), nongovernmental 457(b), 401(a), money purchase, defined benefit	Vanguard is prepared to be in compliance by the effective date.

## Optional provisions: Effective 2025–2027

Provision	Effective date	Summary of provision	Whom it affects	Considerations for plan sponsors
<b>Higher catch-up contribution limit</b>	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. Vanguard is actively working on a solution to support this provision.
<b>Saver's match</b>	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)	<p>Vanguard is prioritizing provisions with more immediate effective dates. Plans will need to determine whether they'll accept the credit.</p> <p>Saver's credit will become Saver's match in 2027.</p>

<sup>1</sup>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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