



First Quarter
2023

Securing Your Retirement: Exploring the Benefits of the SECURE Act 2.0

Our Firm

RBG Wealth Advisors is a locally owned, independent, fee-only, registered investment advisory firm committed to helping clients grow and protect a lifetime of assets in service of their financial goals.

Successful wealth management requires a fully integrated approach that links all facets of your financial landscape. That's why we operate in a strategic partnership with RBG PLC, an accounting firm with a reputation of providing exceptional professional services for more than 100 years.

RBGWA's leading executives are CERTIFIED FINANCIAL PLANNER™ practitioners and certified public accountants, shaping the best guidance of both professions to your wealth advisory experience.

Our Wealth Advisory Services

RBG Wealth Advisors is there for you at any stage of your life and investments, whether you want to create financial independence, plan for retirement, leave a legacy for your family, or make a difference for a charity. We can help set and provide a roadmap toward your goals and be your guide to strategies that can help get you there.



The Consolidated Appropriations Act, 2023, P.L. 117-328, Division T

The SECURE Act 2.0

Enacted December 29, 2022

The Original SECURE Act

The original SECURE (Setting Every Community Up for Retirement Enhancement) Act of 2019 included:

- **Elimination of the stretch IRA:** Non-spouse heirs must now withdraw all of the assets from the inherited retirement account within 10 years.
- **Increased the starting age for RMDs from 70½ to 72.**
- Expansion of Retirement Savings: The SECURE Act expanded opportunities for retirement savings:
 - Allowed long-term, part-time employees to participate in 401(k) plans
 - Allowed penalty-free withdrawals from retirement accounts for individuals having / adopting a child
 - Repealed the maximum age for traditional IRA contributions
 - Made it easier for the creation of multiple employer plans (MEPs)
- Tax Credits for Start-up Plans

SECURE Act 2.0

December 20, 2019:

The Senate passes the original SECURE Act included in the 2020 omnibus appropriations bill.

January 19, 2021:

Neal announces plans to reintroduce the SECURE Act 2.0, including boosting the RMD age from 72 to 75.

March 29, 2022:

The House of Representatives passes SECURE Act 2.0 in a 414-5 vote.

December 29, 2022:

The bill is enacted after both houses of Congress pass and President Biden signs into law.

February 25, 2020:

House Ways & Means Committee Chairman, Richard Neal announces plans to move in 2020 on SECURE Act 2.0 legislation.

May 5, 2021:

The House Ways & Means Committee passes the SECURE Act 2.0.

December 20, 2022:

The SECURE Act 2.0 is included in the 2023 omnibus appropriations bill.



Key Topics | RMD Age

New Law:

Beginning in 2023, individuals turning 72 will have their Required Minimum Distributions (RMDs) delayed by one year, meaning they will not be required until age 73.

This rule will remain in effect through 2032. Starting in 2033, the age at which RMDs must begin will be pushed back further to 75.

Individuals that turned 72 in 2022 (or in earlier years) are not affected by the changes.

Year of Birth	Starting RMD Age
1950 or earlier*	72 or 70½*
1951 – 1959	73
1960 or later	75

* The starting RMD age had been 70½ for more than 30 years until the original SECURE Act changed it to those turning 72 after 1/1/2020 (born after 6/30/1949).

Key Topics | RMD Age

■ Planning Note:

At age 70 ½, individuals can still make Qualified Charitable Distributions (QCDs) despite the modifications to the RMD age mandated by the SECURE Acts.

Beginning in 2024, the QCD annual limit (\$100,000) will be indexed to inflation.

■ Planning Opportunity:

Execute a Roth conversion ladder between retirement and RMDs start date.

For those that plan to retire or scale back in their 60s, there could be a period of 5 to 15 years to gradually convert traditional/tax-deferred assets to Roth/tax-free assets before distributions are required.

- A) This is an opportunity to spread out your tax burden and fill up lower tax brackets in early retirement years.
- B) Roth IRAs do not have RMDs, which allows more assets to continue to grow in tax advantaged accounts.
- C) The reduction of RMDs, and therefore reduction in ordinary income, can help with income phaseouts for tax credits and deductions and other means-tested items like Medicare premiums.



Planning Opportunity | Roth Ladder

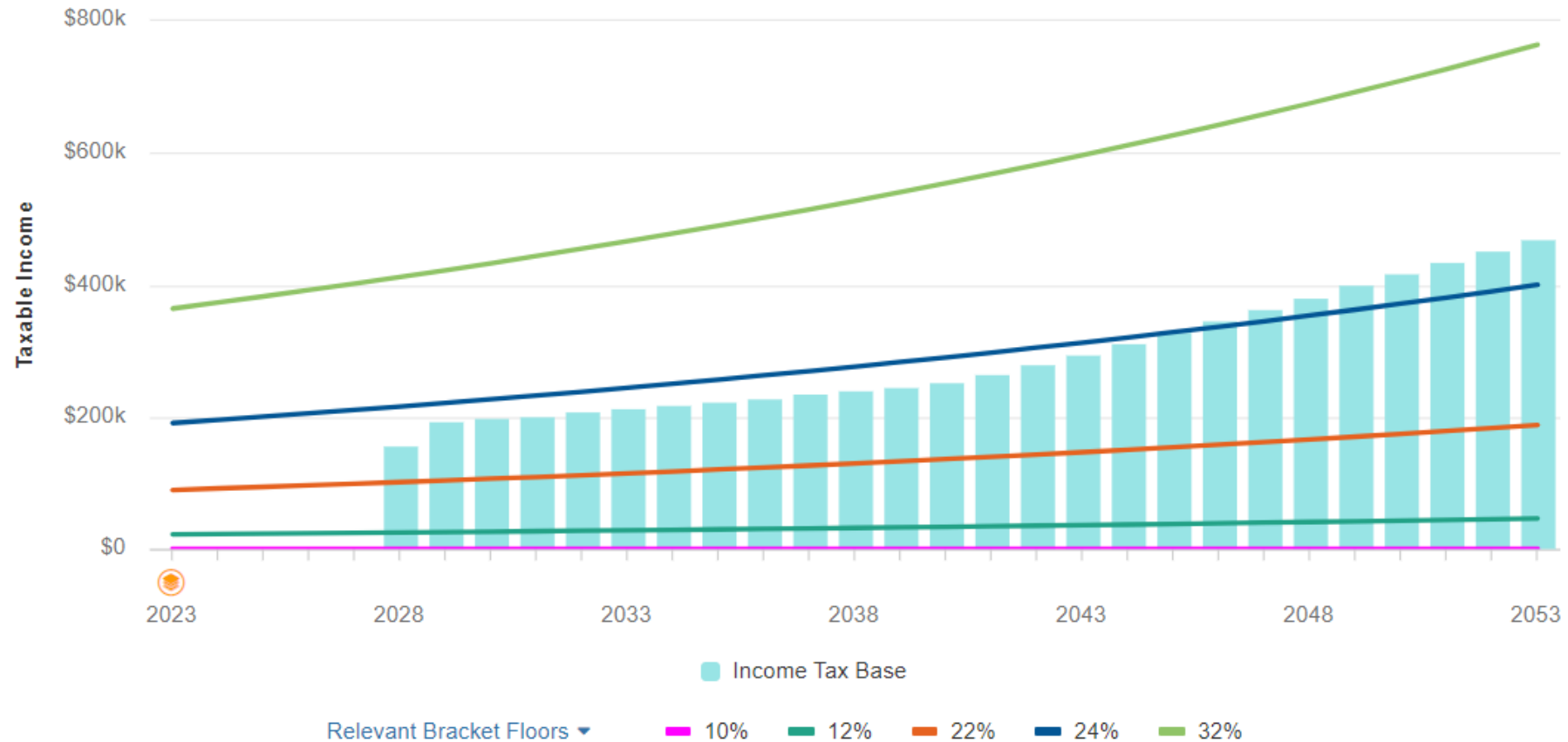
Illustration Base Assumptions:

- Michael & Jan Scott retire now at age 63.
- \$250,000 in cash
- \$500,000 in a brokerage account
- \$2,500,000 total in traditional IRAs
- No Roth assets
- They spend \$150,000 per year inflation-adjusted (2.50%) plus income taxes as incurred.
- They are eligible for Social Security based on their incomes (\$140,000 and \$120,000 pre-retirement).
- Cash earns 2.50%. Their investment portfolio is invested in a diversified balanced portfolio that grows at an average annualized rate of 6.59%.

What if:

- They convert traditional assets up to the top of the 12% marginal income tax bracket each year.
- They delay Michael's Social Security benefits until age 70.

Planning Opportunity | Roth Ladder



PROBABILITY OF SUCCESS

80%

CUMULATIVE TAXES

\$1,292,753

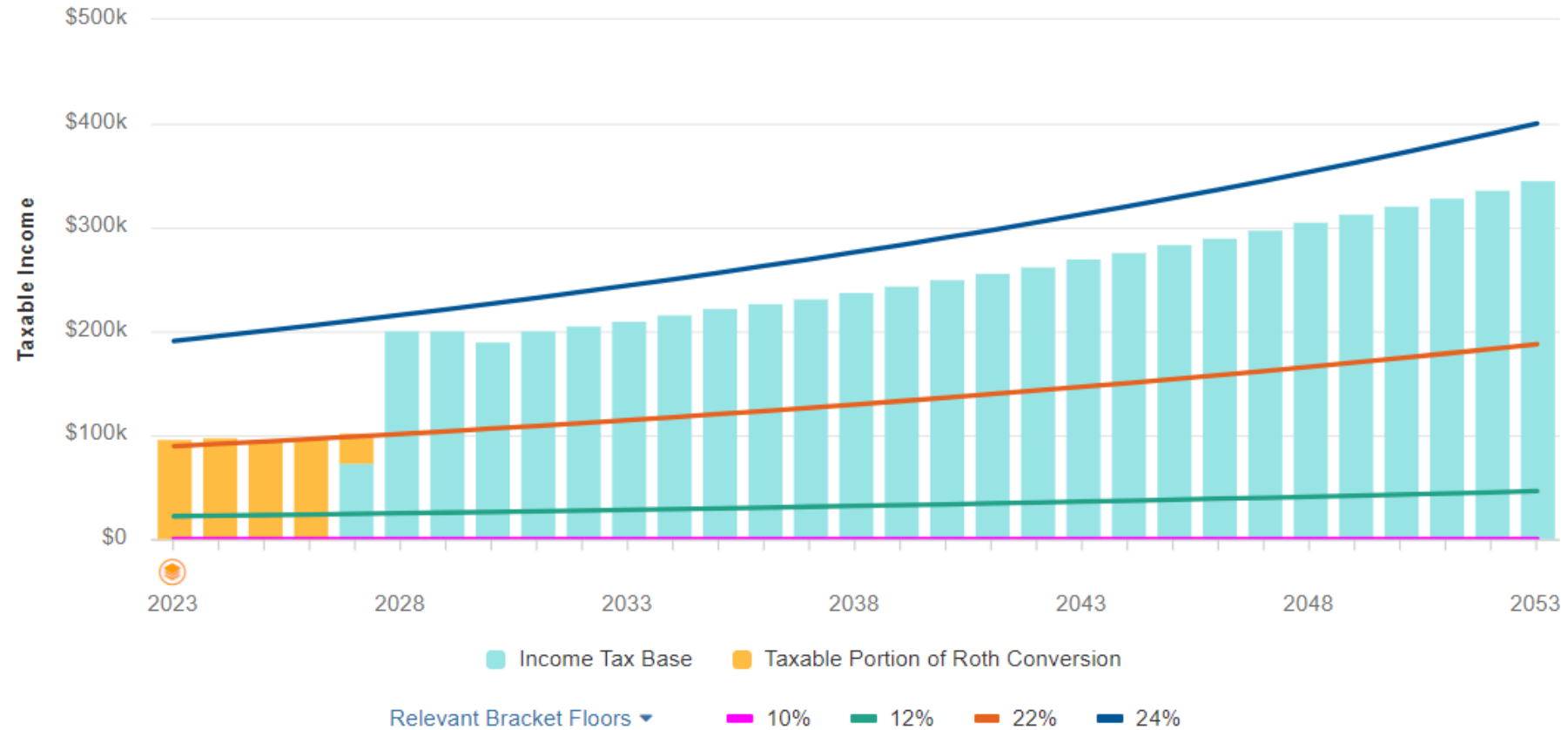
TOTAL PORTFOLIO ASSETS LEFT

\$4,705,980

Projections are based on assumptions noted and are not guaranteed. Actual results will vary, perhaps to a significant degree. The projected reports are hypothetical in nature and for illustrative purposes only. Consult your legal and/or tax advisor before implementing any tax or legal strategies.



Planning Opportunity | Roth Ladder



PROBABILITY OF SUCCESS

82%

↑ 2%
VS BASE FACTS

CUMULATIVE TAXES

\$1,151,333

↓ (\$141,420)
VS BASE FACTS

TOTAL PORTFOLIO ASSETS LEFT

\$4,931,389

↑ \$225,409
VS BASE FACTS



Planning Opportunity | Roth Ladder

■ Planning Opportunity:

Additionally, Roth assets can be distributed tax-free to heirs.

Assuming a 24% income tax rate for heirs (conservatively), that is another \$404,091 in tax savings after a 30-year retirement period (age 93).

The resulting total difference in net portfolio assets distributed to heirs is \$629,500.

BASE FACTS	
Estate Value	
Cash Alternatives	\$636,338
Qualified Retirement	4,069,642
Estate Value:	4,705,980
Taxes & Expenses	
Income Tax on IRD	(\$976,714)
Taxes & Expenses:	(976,714)
Transfers to Heirs	
Other Heirs	\$3,729,266
Transfers to Heirs:	3,729,266

ROTH CONVERSIONS	
Estate Value	
Cash Alternatives	\$881
Qualified Retirement	2,385,930
Roth IRAs	2,544,578
Estate Value:	4,931,389
Taxes & Expenses	
Income Tax on IRD	(\$572,623)
Taxes & Expenses:	(572,623)
Transfers to Heirs	
Other Heirs	\$4,358,766
Transfers to Heirs:	4,358,766

Key Topics | 529 to Roth IRA Transfers

New Law:

Beginning in 2024, it will be possible to move 529 education savings plan assets directly into a Roth IRA tax-free and penalty-free, provided the following conditions are met:

- Roth IRA owner and 529 beneficiary must be **one and the same**.
- The 529 plan must have been maintained for at least **15 years**.
- Any contributions (and any earnings on them) must have been made at least **5 years** ago.
- The **annual limit** for transfers from a 529 plan to a Roth IRA is the IRA contribution limit for the year (currently \$6,500), less any “regular” traditional IRA or Roth IRA contributions that are made for the year (i.e., no double dipping with funds outside of the 529 plan).
- The Roth IRA owner/529 beneficiary must have **earned income** to be eligible.
- The lifetime limit that can be transferred from a 529 plan to a Roth IRA is **\$35,000** per individual.

Planning Opportunity | 529 to Roth IRA

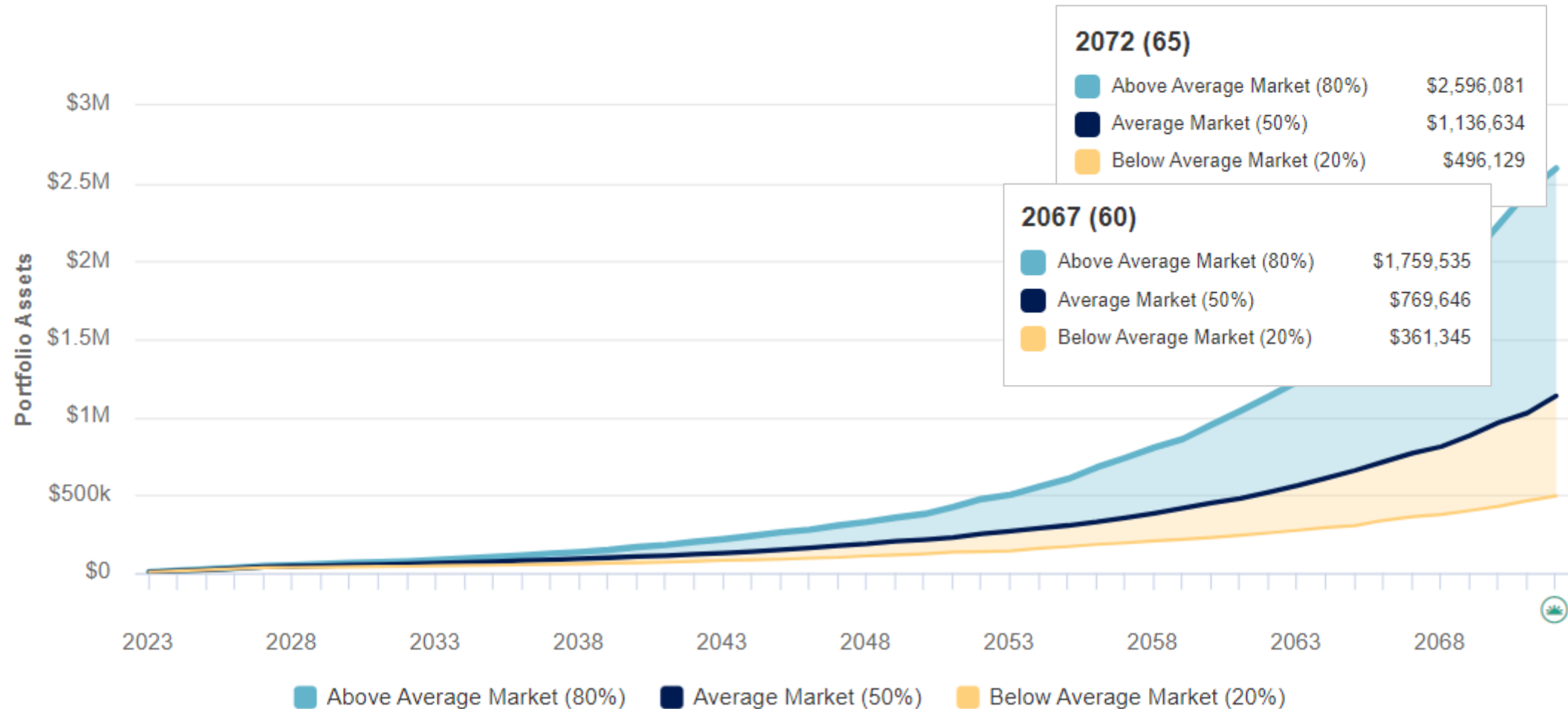
Planning Opportunity:

Consider either “overfunding” 529 plan accounts or utilizing “leftover” 529 funds to pre-fund children’s retirement accounts.

Illustration Base Assumptions:

- Michael & Jan established a 529 plan for Ryan shortly after birth.
- Ryan is 16 years old and works part time for a paper business earning at least \$7,500 per year.
- They transfer the maximum each year from the 529 plan to a new Roth IRA for Ryan.
 - \$6,500 in 2024, \$7,000 in 2025, \$7,000 in 2026, \$7,000 in 2027, and \$7,500 in 2028 = \$35,000 total
- The Roth IRA is invested in a diversified growth portfolio that grows at an average annualized rate of 7.03%.

Planning Opportunity | 529 to Roth IRA



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Key Topics | Surviving Spouse

New Laws:

Beginning in 2024, there will be a new beneficiary option for retirement plan accounts, specifically for surviving spouses. The surviving spouse will be able to elect to be treated as the deceased spouse.

Making the election would provide the surviving spouse with the following benefits:

- RMDs for the surviving spouse would be delayed until the deceased spouse would have reached the age at which RMDs begin;
- Once RMDs are necessary (the year the decedent would have reached RMD age, had they lived), the surviving spouse will calculate RMDs using the Uniform Lifetime Table used by account owners, rather than the Single Lifetime Table that applies to beneficiaries; and
- If the surviving spouse dies before RMDs begin, the surviving spouse's beneficiaries will be treated as though they were the original beneficiaries of the account (which would allow any Eligible Designated Beneficiaries to 'stretch' distributions over their life expectancy instead of being stuck with the 10-year rule that would otherwise apply).

Planning Opportunity | Surviving Spouse

Planning Note:

Surviving spouses who inherit retirement accounts from a younger spouse should elect this treatment. By electing to recognize themselves as the deceased, they can postpone RMDs for a longer period of time, and when the RMDs do begin, they will be less than if the partner had done a spousal rollover or remained a beneficiary of the account.

Key Topics | Catch-Up Contributions

New Laws:

Mandatory Roth Catch-up Contributions for High Income Earners

Beginning in 2024, high-income earners – wages in excess of \$145,000 inflation-adjusted during the previous year – must treat retirement plan catch-up contributions as Roth contributions (i.e., non-tax deductible). It appears that this rule will not apply to the self-employed.

Increase in Catch-up Contributions During early 60s

Beginning in 2025, participants who are ages 60-63 will have an increased catch-up contribution limit – the greater of \$10,000 or 150% of the standard catch-up contribution amount for 2024 (\$7,500 for 2023). The \$10,000 amount will be adjusted for inflation starting in 2026.

IRA Catch-up Contributions Adjusted for Inflation

Beginning in 2024, IRA catch-up contribution limits (\$1,000 currently) will be automatically adjusted for inflation.

Key Topics | Retirement Plan Start-Up

New Laws:

Start-up Tax Credits

Beginning in 2023, small businesses (less than 50 employees) are eligible for an expanded tax credit that covers 100% of plan administrative expenses up to \$5,000 annually for the first three years of the plan.

Also, there is a new tax credit for employer contributions. The credit covers 100% of employer matches for the first two years after plan creation, 75% in Year 3, 50% in Year 4, and 25% in Year 5, before falling to zero in Year 6. The annual maximum for this credit is \$1,000 per participant. No credit is allowed for employer contributions on behalf of an employee who makes more than \$100,000 (adjusted for inflation).

Businesses with 50 – 100 employees are eligible for both credits, but at reduced amounts.

Key Topics | Retirement Plan Features

New Laws:

Option to Match Student Loan Payments

Beginning in 2024, employers will be able to amend their retirement plans to allow employer matches for amounts paid by participants towards their student debt.

Automatic Enrollment Requirement

Beginning in 2025, many new 401(k) and 403(b) plans will be required to include auto-enrollment for new participants of at least 3% pay. There are exemptions available including employers less than 3 years old, church plans, governmental plans, SIMPLE plans, and employers with 10 or fewer employees.

Starter 401(k)

Beginning in 2024, a new type of employer-sponsored retirement plan, known as a “Starter 401(k)” plan will be available. The Starter plans will allow for only employee deferrals (no employer match) and automatically pass non-discrimination and top-heavy testing. Such plans will require auto-enrollment (unless the employee opts out) and limit deferrals to no more than the IRA contribution limit at the time.

Best of the Rest

New Laws:

- Sole proprietors (and single member LLCs) can establish and fund solo 401(k) plans with deferrals up to the due date of the tax return (no extension).
- The penalty for a RMD shortfall is reduced from 50% of the unpaid amount to 25%. If the correction is made during the window, the penalty is further reduced to 10%.
- SIMPLE Roth accounts and SEP Roth IRAs
- Eliminates RMDs for Roth 401(k)/403(b) to align with Roth IRAs
- Retirement plan participants can elect to treat vested matching and nonelective employer contributions as Roth (although the participant will be subject to income tax on those contributions).
- Beginning in 2027, a new Saver's Match will replace the current Saver's Tax Credit.
- Increased access to retirement account funds for emergencies and hardships

What Didn't Make It?

Rumored and Bandied Provisions Not In the SECURE Act 2.0:

- Limits on the use of the “backdoor” Roth or “mega backdoor” Roth contributions
- Limits on who can make Roth conversions
- Means-based RMDs (e.g., require balances in excess of a specified amount to be distributed)
- Changes to the age at which QCDs can be made (as it continues to be age 70 ½)
- Implement new restrictions on Qualified Small Business Stock (QSBS)
- Eliminate new types of investments (e.g., privately held investments) from being eligible to be purchased with IRA money
- Corrections or clarifications to the 10-year rule created by the original SECURE Act

Questions or Comments?

Email me at tellis@rbgwa.com.

Call me at 901.682.2431.

Or send us a message through the following link:



Thank You

We appreciate you considering RBG Wealth Advisors for your wealth advisory needs.

RBG Wealth Advisors is a locally owned, independent, fee-only, registered investment advisory firm committed to helping clients grow and protect a lifetime of assets in service of their financial goals.

Our mission is to challenge and inspire our people and clients to achieve their goals while creating lasting legacies.

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Growth for Tomorrow.