SECURE 2.0 Key Provisions 2025

As of 12/15/2024

SECURE 2.0 brings major changes to the retirement landscape, helping create a more robust workplace retirement environment by expanding participant access and incentivizing higher savings. Numerous provisions within the Act are designed to promote savings by extending employee reach to retirement accounts, particularly in situations where unforeseen life events necessitate financial support.

The following chart is a review of important SECURE 2.0 provisions that Congress has made effective prior to and for 2025. The chart summarizes some key workplace retirement plan provisions and provides status updates. The included provisions are for your consideration and possible attention in the coming months.

Plan amendments needed as a result of this legislation are to be adopted by December 31, 2026. If Sentinel is your document provider, we will prepare the amendment on your behalf.

Sentinel will provide more information pertaining to the Act throughout 2025. If you have questions or would like to learn more, please reach out to your Sentinel Group representative.

RMD and Small Balance Distributions

	SECURE 2.0	Effective Date	Required?	Sentinel Updates
Eliminates the pre-death RMD requirement for Roth balances	**Sec. 325** RMD Treatment of In-Plan Roth Amounts to make the Roth rule for workplace plans the same as IRAs. This eliminates the pre-death RMD distribution requirement for Roth accounts in employer plans.	Effective for tax years beginning after December 31, 2023 Does not delay 2023 RMDs that are due by 4/1/2024	Required	**COMPLETE** Systems updated for 2024 RMDs. No employer action required. All future RMDs will not include Roth balances.

Distributions Permitting 10% Penalty Tax Relief

	SECURE 2.0	Effective Date	Required?	Sentinel Updates
Withdrawal relief for natural disasters	**Sec. 331** Provides permanent rules relating to the use of retirement funds of up to $22,000 to be distributed from a retirement plan or IRA for affected individuals in the case of qualified federally declared disasters. • Exempt from 10% additional tax and are considered gross income over three years • May be repaid to a tax preferred retirement account • Amounts distributed prior to the disaster to purchase a home may be re-contributed	Effective for disasters occurring on or after January 26, 2021	Optional	**COMPLETE** This feature may be added upon plan sponsor request. *SECURE 2.0 NOTE: An employer may provide for a larger amount to be borrowed from the plan by affected individuals and allow additional time for repayment of plan loans owed by affected individuals.*
Early withdrawal tax penalty relief for terminal illness	**Sec. 326** Exception for terminal illness provides an exception to the 10% tax in the case of a distribution to a terminally ill individual. Must be doctor certified (unless the Secretary includes an alternative in regulations or guidance).	Distributions made in 2023 or later	Optional	**COMPLETE** This feature may be added upon plan sponsor request.
Early withdrawal tax penalty relief for emergencies	**Sec. 115** Emergency withdrawal expenses: Exception from the 10% tax for emergency expenses, which are unforeseeable or immediate financial needs due to emergency. Limited to one-per-year, up to $1,000, and taxpayer would have the option to repay within three years, during which no further emergency distributions would be allowed unless repayment occurs. May be self-certified.	Distributions made after December 31, 2023	Optional	**UNDER REVIEW** Sentinel is assessing interest and reviewing its processes and procedures to determine if this feature may be accommodated in 2025.
Domestic abuse withdrawals	**Sec. 314** Allows retirement plans to permit participants that self-certify that they experienced domestic abuse to withdraw a small amount of money (the lesser of $10,000, indexed for inflation, or 50% of the participant's account), exempt from 10% early withdrawal tax. May be repaid to plan over three years and will be refunded for income taxes on money that is repaid.	Distributions made after December 31, 2023	Optional	**COMPLETE** This feature may be added upon plan sponsor request.
Emergency savings accounts	**Sec. 127** Option to offer emergency savings accounts to NHCEs linked to DC Plan for unforeseeable needs. • After-tax (Roth) contributions that are match eligible • First 4 withdrawals per year may not be charged a fee • Must be invested in a principal preservation investment • Contributions cease once account reaches $2,500 (employer may set a lower amount) • Auto-enrollment allowed up to 3% of pay Amounts may be withdrawn at any time without penalty.	Distributions made after December 31, 2023	Optional	**UNDER REVIEW** While some guidance has been issued, additional IRS information is needed to support this option. There is strong industry sentiment that administrative, compliance and operational concerns outweigh the benefits. Consideration of a savings account or other emergency fund is suggested Sentinel is assessing interest level of sponsors for potential implementation after 2025.

Contributions

	SECURE 2.0	Effective Date	Required?	Sentinel Updates
Matching student loan payments	**Sec. 110** Allows Plan Sponsors the option to treat student loan payments as elective deferrals for the purposes of matching contributions. Applicable to 401(k)/403(b)/SIMPLE IRA and Governmental plans. May be self-certified by participant. Plan may perform nondiscrimination testing separately for the employees who receive matching contributions on student loan repayments.	Beginning after 12/31/2023	Optional	**IN PROGRESS** Sentinel is evaluating options, including self-certification with a potential late 2025 or 2026 goal to add this service upon plan sponsor request.
Matching and/ or non-elective contribution may be Roth	**Sec. 604** Employers may permit employees to elect all or some of their matching and/or non-elective contributions to be treated as Roth contributions under a 401(k), 403(b), or governmental 457(b) plan.	Effective on the date of enactment of SECURE 2.0 IRS guidance is required and significant operational changes are required prior to implementation	Optional	**UNDER REVIEW** This option requires substantial operational updates and involves significant administrative and compliance concerns. Therefore, this feature may not be available near term. Alternatively, in-plan Roth rollovers can be used for similar tax-planning benefits.
Enhanced Catch-Up **Increases "catch- up" contributions for ages 60-63**	**Sec. 109** Increases the catch-up contribution limit to $11,250 in 2025 for participants aged 60, 61, 62 and 63 as of December 31, 2025. Increased amounts are indexed for inflation after 2025.	Taxable years beginning after December 31, 2024 Note: May require updates with payroll vendor	Optional	**COMPLETE** Sentinel systems updated in advance of 2025 contributions. Plan Sponsor reporting and notification for impacted participants is available.
Catch-up contributions must be Roth	**Sec. 603** The special catch-up contributions permitted due to attaining age 50 must be made on a Roth basis under 401(k), 403(b) and governmental 457(b) plans. • Exception applies for employees with compensation of $145,000 or less in the prior year (indexed starting in 2025).	Taxable years beginning after December 31, 2025	**Required**	**IN PROGRESS – If plan allows Roth:** Sentinel will be updating systems and reporting to ensure you and impacted participants are notified of this requirement. **ACTION REQUIRED – If Roth not permitted:** Sentinel will be contacting you during 2025 to review adding Roth to your plan. If plan allows for catch-up contributions – not permitted to require all catch-up as Roth.