The Secure Act and all its iterations over the last few years remind me of the Terminator movies. After a while, you don?t care because it?s always the same plot with minor tweaks. Secure Act 2.0 will affect your retirement, but how? Is it just another mindless sequel? Let's explore. H.R. 2954 has passed the Senate and is off to the House so, it?s time for ? Secure Act 2.0 ? Judgment Day but without cool robots. Are there some good ideas on the table to bolster retirement savings? Yes. Can much more be done? Yes. Stay tuned for Secure Act 3.0 by 2023. Overall, I cover the most significant changes. Again, we don?t know which version passes the Senate but my thought is Secure Act 2.0 is ready for launch just the way it is.

The expansion of automatic enrollment in retirement plans.

There are multiple studies that show humans do better when ?nudged'. When given a choice most people have a difficult time opting into something. Yet, we rarely opt out of choices, especially if the decision proves beneficial. In the case of auto-enrollment, success is evident. It's proven to be the financial Roach Motel. H.R. 2954, requires employers that establish new defined contribution plans to auto-enroll employees at 3% of pretax pay. Every year, this auto-enroll contribution increases by 1% up to no more than 10%. Subsequently, a participant can elect to stop or alter the contribution percentage. There are specific types of retirement plans excluded, such as SIMPLE IRAs. Why? I have no clue.

Bolster of the Saver?s Tax Credit.

Keep in mind, that a tax credit is a dollar-for-dollar reduction in tax liability. The bill increases the credit to a flat 50%. for lower-income households As part of Secure Act 2.0, more households receive the credit. This provision won't be effective until after December 31, 2026. Wisely, increased communication about the credit is also part of the bill. Currently, a taxpayer can claim the credit for 50%, 20% or 10% of the first $2,000 contributed during the year to a retirement account. The tax credit is non-refundable and reduces a tax liability dollar for dollar. Joint filer households with $39,500 or less AGIs would receive the maximum 50% credit. Sadly, the Saver?s Credit often gets overlooked. Overall, raising the bar to 50% and lower AGI requirements are positive developments.

Increase in ages for mandatory retirement distributions.

The Secure Act 2 raises the RMD age to 75. In 2023, the RMD age would be 73 (for people who reach age 72 after December 31, 2022), 74 in 2030, and 75 in 2033. Hopefully, the final bill removes the unnecessary speed bumps. I have no clue why these mandatory distribution edicts must be so complicated. Annual Roth conversions may take on new attention due to RMDs later.

For example, instead of an RMD, an IRA holder may decide to convert those dollars to Roth instead. Required minimum distributions are not eligible for Roth conversion. Redirecting RMD dollars to a surgical, annual Roth strategy allows for the buildup of a tax-free bucket of money for tax control in retirement.

The indexing of IRA catch-up limits in the Secure Act 2.0.

Catch-up contribution limits to individual retirement accounts for those 50 and older have been $1,000 for an eternity. In the Secure Act 2.0, catch-up additions are indexed for inflation in 2023. Also, the catch-up limits for SIMPLE plans would be raised to $5,000 from $3,000 and indexed for inflation. *Accelerated catch-up* contributions for retirement plans would increase to $10,000 but *only for those who have attained ages 62, 63, 64 but not 65.* What makes 62, 63, and 64 so unique for robust catch-up contributions is beyond my scope to understand. I don't think it's a negative aspect, just a confusing one, especially since the average retirement age is 61. The Secure Act 2.0 looks to be a financial 'smack in the head' for people who are way behind saving for retirement. Overall, a positive is how catch-up contributions beginning in January 2023 would be required to be in Roth options such as Roth 401k or 403b. The Secure Act is receptive to Roth because the government *hungers for money now. Perhaps I should have compared the Secure Act 2.0 to The Hunger Games?* The government is following RIA?s *?J.G. Wentworth ? I need cash now!?* mentality and becoming more receptive to Roth options. As readers probably know, we are proponents of tax diversification and control in retirement. A retiree should maintain investments in various buckets, pre-tax, after-tax, tax-free, so they can craft tax-efficient account distributions. A challenge may be that not every organization offers a Roth option and will need to do so.

Title II ? Preservation of Income.

An encouraging aspect of this bill is the attention to guaranteed income options in retirement plans. Let's face it: Many retirees will need guaranteed options to generate lifetime cash flow. In the face of longer life expectancies, annuities will be an essential part of a retiree's income plan. As markets enter a tumultuous, lower return cycle, retirees will require a personal pension to do some of the heavy lifting stocks may not. The Secure Act 2.0 provides instruction to add fiduciary disclosures and Safe Harbors for lifetime income providers. In addition, a provision for the portability of these products. So, if switching employers or rolling the assets into an IRA, an employee won't need to start again with a new recordkeeper and lose the build-up of lifetime income benefits. Overall, this is a positive development. Incorporating insurance into a retirement plan platform has been messy due to the services recordkeepers provide vs. ERISA fiduciaries. According to NAPA or the National Association of Plan Advisors, Safe Harbor rules are crucial to the viability of this part of the act.

What is a plan fiduciary?

Consider a proper plan fiduciary as one who protects participants from an improper vendor and is responsible for the selection of guaranteed income vehicles (annuities), that pass a fiduciary standard. Per NAPA: the plan fiduciary needs to follow specific steps to obtain the safe harbor protection for the selection of a ?guaranteed lifetime income contract.? The need for education by plan sponsors will be paramount. As I believe their priorities are variable investment vehicles such as mutual funds and exchange-traded funds, the education necessary to help consumers make objective decisions on insurance products could be a challenge. However, with the proper fiduciaries involved along with guidance from a knowledgeable financial advisor, I am hopeful this initiative will be successful.

Expedite Part-Time Worker Plan Participation.

Part-time employees receive advantages too. Overall, Secure Act 2.0 would benefit long-term part-timers by shortening the period of eligibility for retirement plan enrollment from three to two years.

Matching Contributions for Qualified Student Loan Payments.

Think of it this way ? You?re a young worker saddled with the decision to contribute to your employer?s retirement plan or pay down a student loan. With this proposal, an employee can receive matching contributions (most likely 3%), to a retirement plan even though not contributing due to a student loan debt burden. Many other proposed actions include more aggressive tax credits for small businesses, a national database for lost retirement accounts (more common than you think), and a broader reach for Roth with SIMPLE and SEP Roth options (about time). Overall, I rate the Secure Act 2.0 a C+ which for me, is a vast improvement due to Rothification and Annuitization elements. However, there?s a long way to go, especially when it comes to broad initiatives and incentives to teach financial literacy. We?ll see how the final version of the bill turns out. As Arnold laments in the Terminator films ? **I?ll be back**. The Secure Act sequels have just begun. They will also - be back. Click here for money geeks like me who'd like to read the entire bill.