# **Fedw** Advisors & CPAs

# Rethinking Your Retirement Strategies in 2024

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# AGENDA

- Contribution Increases For 2024
- Secure 2.0
  - Emergency Savings Accounts
  - Employer Match of Student Loan Payments
  - Long Term, Part-Time Employee Eligibility
- What to Consider
- Q&A

# CONTRIBUTIONS





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### 2024 IRS Annual Limits

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IRS Contribution Limits - 2024				
Description	2024	2023	Change	
Maximum Employee Contributions to Defined Contribution Plans	\$ 23,000.00	\$ 22,500.00	\$ 500.00	
Annual Catch-up Contributions, Over 50	\$ 7,500.00	\$ 7,500.00		
Total Contribution Limit for DC plans (Employer + Employee)	\$ 69,000.00	\$ 66,000.00	\$ 3,000.00	
SIMPLE IRA and SIMPLE 401(k) Contributions	\$ 16,000.00	\$ 15,500.00	\$ 500.00	
Traditional and Roth Annual Contribution Limits * consider MAGI limits	\$ 7,000.00	\$ 6,500.00	\$ 500.00	
IRA Catch-up Contributions, Over 50	\$ 1,000.00	\$ 1,000.00		
Defined Benefit Pension Plan Annual Benefit Limit	\$ 275,000.00	\$ 265,000.00	\$ 10,000.00	
Health Savings Accounts (Individual)	\$ 4,150.00	\$ 3,850.00	\$ 300.00	
Health Savings Accounts (Family)	\$ 8,300.00	\$ 7,750.00	\$ 550.00	
Health Savings Accounts Catch-up, age 55 and over	\$ 1,000.00	\$ 1,000.00		
Flexible Spending Accounts	\$ 3,200.00	\$ 3,050.00		
Social Security Taxable Wage Base	\$ 168,600.00	\$ 160,200.00	\$ 8,400.00	
Federal Estate and Gift Tax Exemption, Individual	TBD	\$ 12,920,000.00		
Annual Gift Exclusion	TBD	\$ 17,000.00		
Social Security COLA increase	3.20%	8.70%	-5.50%	
Qualified Charitable Distribution	\$ 105,000.00	\$ 100,000.00	\$ 5,000.00	



# Age-Based Catch-Up Contributions

#### Pushed out to Jan. $1^{\rm st}, 2026$ and beyond

- Age 50 or older; wages exceed \$145,000 in the previous calendar year, catch-up contributions required to be Roth (treated as after-tax contributions)
- **Starting January 1, 2025**, Second threshold for additional catch-up contributions ages 60-63
  - \$10k 401(k), 403(b), 457(b) \$5k SIMPLE IRA/401(k) indexed to inflation
- This is currently in addition to the standard 50 & older catch-up contributions
  - \$7.5k 401(k),403(b),457(b) \$3.5k SIMPLE IRA/401(k) (2024)
  - Catch-ups will be indexed to inflation starting in 2024 for calendar year 2025

# Secure 2.0





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# Emergency Savings Accounts (ESA)

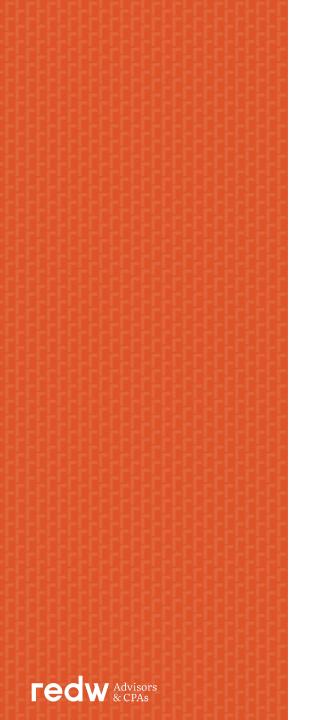
#### • Features:

- Account funded through Roth salary deferrals
- Plan must allow the participant to take a distribution at least once per month & the first four distributions per year are not subject to fees
- Self-certified & amount distributed may exceed the need
- Definition of emergency is subjective
- Limitations:
  - Total contributions may not exceed \$2,500
  - Plan may not require a minimum contribution amount or minimum account balance
  - Available only to non-highly compensated employees
  - Most be invested in principal-protected assets

# ESA cont.

Plan Sponsor Considerations:

- Must match ESA at same rate as deferrals
- ESA contributions are included in the ADP test
- Once ESA balance reaches \$2,500, contributions must cease & future contributions must be directed to the participants retirement account as pre-tax or Roth (based on the participants elections)
- Must develop a process to ensure ESA contributions stop once account reaches \$2,500
- Additional notice requirements
- Plan may provide auto enroll at a rate not to exceed 3%
- Additional coordination between payroll provider & recordkeeper



## ESA cont.

Participant Considerations:

- Contributions are made as Roth
- Contributions to an ESA are subject to the deferral limit
- First four distributions per year are not subject to fees, but additional distributions may be subject to reasonable fees
- Upon termination of employment, distributions from ESA are treated as eligible rollover distributions

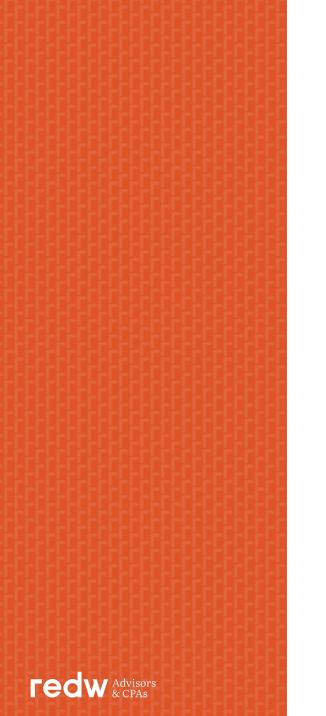


## ESA Guidance

- What type of rules plan sponsors may implement to prevent participants from contributing to an ESA, receiving the employer match and then withdrawing their contributions.
- Additional reporting requirements prescribed by the DOL



- Features:
  - Participant must certify each year
  - Match rate must be the same for both student loan
    payments & deferrals
  - Vesting same for both student loan payments and deferrals
  - Match on a student loan payment may be on a different frequency than other matching contributions
  - A student loan payment is not considered an elective deferral; however, the match is taken into account on the ACP test.
    - Participants who receive a match on student loan payments may be tested separately.



- Limitations:
  - Amount of the loan payment considered for match may not exceed the current elective deferral limit reduced by the amount of the actual elective deferrals made by the participant.
  - Matching contributions for student loan payments may only be made to participants who are eligible to receive a match
  - Only applies to qualified higher education expenses incurred while considered at least a half-time student.

- Plan Sponsor Considerations
  - Plan sponsor must develop a process and establish a deadline (which cannot be earlier than three months after the close of the plan year) for participants to claim the match each year.
  - Plan sponsors must establish how frequent to match the loan payments.



- Guidance:
  - Match that is calculated on a per payroll basis
  - Whether the match is limited to student loan debt incurred by the participant and not by the participant on behalf of their children.

### Eligibility Requirements for Long-Term Part-Time Employees (LTPT)

#### Summary of LTPT provisions

	SECURE Act	SECURE 2.0	SECURE 2.0
Applies to	401(k) plans	401(k) plans	ERISA 403(b) plans
	500-999 hours of service	500-999 hours of service	500-999 hours of service
Service requirement	in three consecutive 12-	in two consecutive 12-	in two consecutive 12-
	month periods	month periods	month periods
Computation periods	Periods beginning on or	Periods beginning on or	Periods beginning on or
considered	after 1/1/2021	after 1/1/2021	after 1/1/2023
	Calendar year plan:		
	1/1/2024		
Earliest LTPT can defer if		Plan year beginning in	Plan year beginning in
requirements met	Non-calendar year plan:	2025	2025
	Plan year beginning in		
	2023		
Vesting determination (if	Pre-2021 service	Pre-2021 service	Pre-2023 service
applicable)	disregarded	disregarded	disregarded

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# What To Consider





# Things to Consider

- Conduct a review of your plan with your advisor and TPA
- Ask if a PEP is right for you
- Cash Balance Plans







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