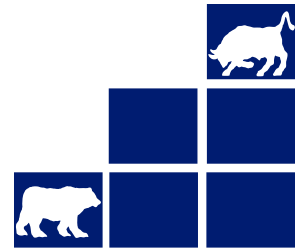


The Capital Management Corporation

INVESTMENT COUNSEL



KEY IMPROVEMENTS FOR RETIREES & RETIREMENT SAVERS

The long-anticipated retirement savings package SECURE Act 2.0 was signed into bill at the end of 2022. Here are some of the main provisions of the Act along with standard enhancements to retirement savings and distribution rules.

Required Minimum Distributions (RMDs)

RMD age increases from age 72 to 73 beginning in 2023. On Jan. 1, 2033, increases to age 75. If you turned age 72 in 2022, you still must take your RMD for 2022 by April 1, 2023.

Implication: The age increase provides flexibility to delay your first RMD and invest longer for a year. It's important to know your tax implications when delaying distributions. Delaying may cause larger distributions and higher taxes, including a move into a higher tax bracket.

Penalties for missing or underestimating RMDs will decrease from 50% to 25% (or 10% if you correct the issue within 2 years).

Annual Contributions Increase in 2023

Traditional and Roth IRA annual contribution limits jump from \$6,000 to \$6,500.

Qualified plans such as 401(k), 403(b), Roth 401(k) contribution limits jump from \$20,500 to \$22,500.

Implication: Larger contributions can increase your existing account earnings, from either capital gains or interest. When reinvested, additional earnings can compound over time.

Larger Catch-Up Contributions

At age 50 workers catch-up contribution for qualified plans increases from \$7,000 to \$7,500. For SIMPLE IRA workplace plans that amount increases from \$3,000 to \$3,500.

Starting in 2025, workers aged 60-63 can contribute an additional 50% of regular catch-up limit or \$10,000, whichever is greater, for qualified plans.

Implication: If the 50% increase between the ages of 60-63 was in effect this year an individual could contribute $\$22,500 + \$7,500 + \$3,750 = \$33,750$.

Qualified Charitable Distributions (QCDs)

Starting in 2023, people aged 70½ and older can make a one-time gift up to \$50,000 from their overall \$100,000 QCD limit to more charity types.

Implication: Gifts can be given to a charitable remainder unitrust, a charitable remainder annuity trust, or a charitable gift annuity. This amount counts toward the RMD.

529 Plans

After this year, individuals can roll over \$35,000 aggregate over time from a 529 college savings plan to a Roth IRA in the name of the student beneficiary. The annual limit is the standard IRA deposit limit.

Implication: The 529 college savings plan must also have been opened for at least 15 years, and the amount rolled over must have been in the account at least five years. Earnings and contributions will be treated like any other Roth IRA account or Roth rollover.



Sources: Content is CMC's interpretations from various media sources including articles from Charles Schwab: Schwab Center for Financial Research & Fidelity Investments. It does not include all provisions.

Disclaimer: These are our interpretations of the latest changes. Always consult with a certified accountant for up to date analyses of the provisions.