

# Four **SECURE 2.0** Provisions You Can Leverage That Your Colleagues Won't

With the passing of the Secure Act 2.0, there are dozens of new provisions to help all Americans prepare for retirement, from low-wage to top earners. Sifting through the provisions and understanding the nuances of each has been top of mind as everyone prepares for the staggered introduction of these changes in the coming years.

Your plan sponsors are getting inundated with information, just like you. Many have probably already asked you to slice through the technical jargon and highlight the act's most impactful points. Leveraged correctly, these discussions are key opportunities to strengthen your relationship with your plan sponsors, driving easier renewal conversations and (ideally) referrals.

We've outlined four of the most important provisions and for each, have included tactical opportunities to build your relationship with plan sponsors and participants.

## 1. **AUTO-ENROLLMENT/AUTO-ESCALATION**

The provision everyone is talking about. We won't bore you with the details you've read a 100 times. But auto-enrollment will be mandated in 2025! This is an exciting opportunity for plan participation because it removes doubt and indecision for participants and makes saving automatic.

According to one Vanguard study, employers that offered auto-enrollment had a whopping 91% of employees participating and that number stayed level for years, while those with voluntary enrollment had a participation rate of just 28% (Tretina, 2022).

### **OPPORTUNITIES**



#### **Ready-made resources to share with participants**

Once this takes effect, many employees won't understand why money is being deducted from their paychecks and will likely be reaching out to you or onsite HR teams with their concerns. You won't have time to answer hundreds of individual, basic questions.

- For participants who don't understand the [employer match](#).
- For participants wanting to [opt out](#).
- For participants who want to know if [they're saving enough](#).



#### **Ways to further the conversation with plan sponsors**

Auto-enrollment is a good start, however, as an advisor, you already know that the mandatory 3% saved for retirement won't be nearly enough to retire. How can plan sponsors encourage their employees to save more to prepare for retirement (and increase your AUM)?

- Educate employees: Share this 2.5-minute [video](#) with your plan sponsors about retirement planning to distribute to their populations.
- Encourage them to offer auto-enrollment now: Though it's not required until 2025, getting ahead of the curve will ease their transition (and yours) later. There are also tax benefits to starting early!
- Ask them to consider offering a match: 47% of employees surveyed said that [retirement benefits](#) are a key reason to join a company (Miller, 2022).

## 2. STUDENT LOANS

An estimated 43.5 million Americans have student debt—many of your plan participants are in that number (Rodriguez, 2023). An optional provision that's getting a lot of attention is the opportunity for student loan payments to qualify for retirement contributions. In this provision, student loan payments can be treated as elective deferrals by the employer and awarded a match. This is a great opportunity for employees to start saving early in their careers, while also managing their debt responsibly.

### OPPORTUNITIES



#### Ready-made resources to share with participants

Student loans are a huge pain point for young borrowers. Many employees will have lots of questions about how this provision affects them and how to plan for the future.

- For participants generally concerned about their student debt and wondering how to budget for [resuming loan repayment](#).
- For participants trying to evaluate the best course of action given the [interest on their current student loans](#).



#### Ways to further the conversation with plan sponsors

This provision might be a great way for your plan sponsors to make their benefits package more compelling to younger workers with student debt.

- Share this [study](#) from Betterment with your plan sponsors, which shows that 85% of loan borrowers would leave their current job to go somewhere that would help with student loans (Betterment, 2021).

## 3. ROTH OPTION FOR AN EMPLOYER MATCH

Effective immediately, employees can elect to receive an employer match in an after-tax capacity (if offered in the plan). This will likely cause a lot of buzz amongst participants because it reduces their total taxable resources in retirement. However, participants may not realize that they are responsible for the taxes on those contributions now (instead of later).

### OPPORTUNITIES



#### Ready-made resources to share with participants

Though exciting, some participants will be a little shell-shocked at the taxes they'll owe if they choose a Roth match.

- For participants who don't quite understand how [pre and post-tax contributions work](#).
- For participants who are evaluating the merits of a [Roth 401\(k\)](#).



#### Ways to further the conversation with plan sponsors

It's likely that without proper education, employees who make this election will feel frustrated when they see more taxes disappear from their paychecks.

- Talk to your plan sponsors about company-wide communications that can educate employees about Roth contributions.
- Consider offering a short resource ([like this one from The Standard](#)) or even a virtual session with interested employees to explain these scenarios.

## 4. INCREASED SAVINGS FLEXIBILITY FOR THOSE 60 AND OLDER

This bill also allows more opportunities for catch-up contributions. Starting in 2025, people who are 60-65 will be able to contribute \$10,000 as a catch-up contribution (an increase from the \$7,500 currently allowed). Beginning in 2026 (the effective date was recently extended by the IRS), if you're aged 50 or over, your catch-up contribution must be in an after-tax (Roth account). However, effective immediately, RMDs will no longer be required on Roth 401(k)s.

### OPPORTUNITIES



#### Ready-made resources to share with participants

Participants who are not familiar with this provision may be very surprised to receive a smaller paycheck when it goes into effect and they are required to pay taxes on their catch-up contributions.

- For employees who are not sure how a [Roth 401\(k\) works](#).
- For employees who need a little bit more help [understanding RMDs](#).



#### Ways to further the conversation with plan sponsors

According to one study, about half of Baby Boomers [haven't started saving for retirement](#) and will depend primarily on Social Security benefits (Lerner, 2023).

- To encourage catch-up contributions, ask your plan sponsors to share a resource like this [retirement calculator](#) to determine how much they'll actually need in retirement savings.

Of course, there are plenty of other opportunities for your business in this bill. But with these four key provisions in mind, you'll be prepared for upcoming conversations with plan sponsors and participants and develop the edge you need to get ahead, build trust with your clients, and move towards increasing your AUM.

#### Resources:

Betterment. (2021). The Impact of The Great Resignation on Benefits Needs and Expectations. <https://www.betterment.com/hubfs/PDFs/b4b/reports/financial-wellness-benefits-survey.pdf?hsCtaTracking=9ce0e4d5-3f51-416c-bd0d-07af597cee55%7Cfa67caeb-6889-480d-9f5d-c6e9ed389f46>

Lerner, David. (2023, June 9). Baby Boomer Retirement Savings: How Do You Stack Up? David Lerner Associates. <https://www.davidlerner.com/newsroom/article/baby-boomer-retirement-savings-how-do-you-stack-up>

Miller, Stephen. (2022, April 27). Benefits Jump as a Reason to Join or Stay with an Employer. SHRM. <https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/benefits-jump-as-a-reason-to-join-or-stay-with-an-employer.aspx>

Rodriguez, Orlando. (2023, March 22). U.S. Student loan debt statistics you should know in 2023. Credit.com. <https://www.credit.com/blog/student-loan-debt-statistics>

Tretina, Kat. (2022, December 30). 401(k) Auto-Enrollment: What You Need to Know. Forbes. <https://www.forbes.com/advisor/retirement/401k-auto-enrollment>

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