

SECURE 2.0

Critical Changes for Your Business in 2025



A quick search on the internet will yield countless articles about the SECURE Act 2.0. “SECURE” stands for “Setting Every Community Up for Retirement Enhancement.” Much of what’s contained in this act is an effort to make saving easier (or in some cases, automatic) so Americans start saving for retirement more proactively. The Act relies heavily on businesses to support and guide their employees into a comfortable retirement. Many provisions in this act take effect this year—are you sure you’re in compliance? Have you maximized the opportunities for your employees?

In this quick infographic, we’ll cut the jargon and give you a rundown of the non-negotiables, as well as some optional provisions you may want to consider.

MANDATORY



Auto-Enrollment and Auto-Escalation

What is it?

Beginning in 2025, new 401(k) and 403(b) plans must automatically enroll employees at a minimum of 3% and a maximum of 10% of their salary, increasing 1% annually until they reach 10–15% (this maximum is determined by the employer). Of course, employees may opt out of contributing.

What steps do I need to take?

- ☐ Reach out to your retirement plan provider to ensure compliance with the mandate.
- ☐ Share with your provider the percentage to auto-enroll employees and the maximum auto-escalated contribution rate.
- ☐ Notify your employees about this change, specifically regarding contribution rates, how to opt out, and investment options available. Complete guidance from the IRS can be found [here](#).



Could my business be exempt?

If any of these are true of your business, you may be exempt from this provision.

- Did you establish your plan before December 29, 2022?
- Do you regularly employ 10 or fewer employees?
- Is your business less than three years old?
- Are you a church or government organization?



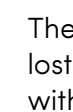
Increased 401(k) Access for Long-Term, Part-Time (LTPT) Employees

What is it?

This year, employees who have worked at least 500 hours for two consecutive years (instead of three) are now eligible to participate in workplace retirement plans. This provision aims to increase access, and hopefully increase retirement readiness for a larger segment of the population.

What steps do I need to take?

- ☐ Develop a plan for identifying LTPT-eligible employees. The guidance states that hours will be calculated from January 1, 2023.
- ☐ Create a list of eligible employees and share it with your plan advisor.
- ☐ Automatically enroll these employees at 3% (at least) and notify them of the changes to stay compliant with other SECURE 2.0 requirements.



Retirement Savings Lost and Found

What is it?

The Retirement Savings Lost and Found is a database created to help employees recover lost accounts they held at previous employers. This database will attempt to reunite savers with their lost savings and by extension, help them better prepare for retirement.

What steps do I need to take?

- ☐ Communicate about this offering to your employees! They may have savings from a previous employer that could improve their retirement readiness. Direct them to <https://lostandfound.dol.gov> to get started.

OPTIONAL



Higher Catch-Up Contributions for Ages 60–63

What is it?

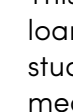
Employees who are aged 60–63 by December 31st can make larger catch-up contributions—up to \$10,000 or 150% of the standard limit, whichever is greater. This optional provision is meant to help older savers quickly increase their savings and make up for lost time. Of course, you can only offer this to your employees if your plan allows for catch-up contributions.

Why should I think about implementing this?

- ➔ According to a Bankrate survey from 2024, 48% of Baby Boomers felt that they were behind where they should be when it comes to retirement savings (Gillespie, 2024).
- ➔ This provision is a great way to help aging members of your workforce make up for lost time and retire on schedule.

What steps do I need to take?

- ☐ Check with your payroll or retirement plan provider to see if and how you currently recognize catch-up contributions.
- ☐ Ensure the payroll system can recognize eligible participants and allow the increased limits.
- ☐ Discuss with your payroll provider how to return to the regular limits after the participant turns 64.
- ☐ Communicate the change to participants.



Student Loan Matching Contributions

What is it?

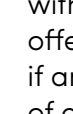
This component of SECURE 2.0 makes it easier for employees saddled with student loan debt to prepare for retirement. An employer may choose to match a qualifying student loan payment instead of an elective deferral to their retirement account. In addition, this means employees no longer have to choose between retirement savings and paying off student loans.

Why should I think about implementing this?

- ➔ One study by Betterment showed that 85% of loan borrowers would leave their current jobs to go somewhere that would help with student loans (Betterment, 2021). This could be a prime way to attract and retain young talent.
- ➔ Contributions follow the same vesting schedule as 401(k) matches, which may help with retention.

What steps do I need to take?

- ☐ Determine how you’re going to certify student loan payments. The latest guidance from the IRS states that you can certify [these with a letter annually](#) which will ease implementation.
- ☐ Involve your retirement plan advisor and payroll provider to determine how you’ll identify qualifying participants.
- ☐ Communicate with your participants about this new offering and share how to get started.



Emergency Savings Accounts (ESAs) and Retirement Accounts

What is it?

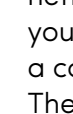
Many workers don’t save effectively for emergencies, which results in more 401(k) hardship withdrawals and increased financial stress. The new guidance will allow employers to offer an Emergency Savings Account (ESA) linked to their retirement account. In addition, if an employer offers a match, they can award the match for an ESA deferral instead of an elective deferral to a retirement account, which means employees won’t have to choose between saving for emergencies and saving for retirement. Employers can also auto enroll employees in the ESA. Of course, employees can opt out at any time.

Why should I think about implementing this?

- ➔ In 2022, 37% of American households said they would not be able to cover a \$400 emergency expense in cash (Lloro et al, 2023).
- ➔ This provision provides a clear avenue for employees to save for short-term emergency needs and avoid depleting their long-term savings or relying on unfavorable loans.

What steps do I need to take?

- ☐ Ask your plan advisor if they offer linked emergency savings accounts.
- ☐ Consider how you can ensure eligibility since this provision is only available to non-highly compensated employees.
- ☐ Decide if you want to auto enroll employees. If so, work with your payroll provider and plan advisor to create this pathway.
- ☐ Determine how you will award the match towards retirement for employees who choose to save in the new ESA.
- ☐ Communicate the changes to your employees with guidance on how to get started, adjust deferrals, and access their savings.



Emergency 401(k) Withdrawals Without Penalty

What is it?

Unexpected expenses happen, and employees often take loans from their 401(k), incurring hefty penalties and reducing their overall retirement readiness. This provision allows you to offer a clear pathway for employees to access emergency cash, penalty-free in a controlled manner. Employees can withdraw up to \$1,000 for an emergency expense. They are only permitted to make one withdrawal per year, and if they don’t pay back the distribution, they have to wait three calendar years before they take another.

Why should I think about implementing this?

- ➔ According to a recent study by Empower, more employees are borrowing from their 401(k)s and in greater quantities than in past years (Folster, 2024).
- ➔ This provision allows you to offer employees a little financial stability because it gives them an option to meet a short-term need and can be used alongside an emergency savings account to give employees multiple financial safety nets.
- ➔ If you do choose to implement this provision, consider providing some accompanying financial education to help employees make informed decisions.

What steps do I need to take?

- ☐ Check your plan documents to see if it allows for emergency withdrawals. Make changes if necessary.
- ☐ Involve your retirement plan advisor.
- ☐ Communicate this new offering to employees.
- ☐ Keep accurate records in case of IRS audits.

References

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