4 Ways the SECURE 2.0 Act Changes Required Minimum Distributions

Whether you have a traditional IRA or a retirement account, at some point you'll need to take required minimum distributions (RMDs). Below are four key provisions from the SECURE 2.0 Act that could impact your RMDs.

Provision	Details	Benefit
RMDs begin later	The RMD age increases to 73 for 2023 and to 75 in 2033.	By delaying the age you must begin RMDs, your account has the potential to grow tax-deferred for a longer period of time.
Lower tax penalties for failing to take RMDs on time	Effective in 2023, the tax for failing to take RMDs is reduced from 50% to 25%. If the failure to take an RMD from an IRA is corrected in a timely manner, the tax is reduced from 25% to 10%.	The original tax penalty of 50% struck many people as punitive. The new tax penalty seems more reasonable and spares people an excessively harsh penalty for what is often an honest mistake.
Roth 401(k)s are no longer subject to RMDs	Effective in 2023, the Roth account in an employer retirement plan is not subject to RMDs during the participant's lifetime.	This change puts the Roth 401(k) option on par with the Roth IRA (which has never required RMDs). This eliminates the need to do an IRA rollover to avoid taking RMDs from the Roth portion of a 401(k) and allows money to continue growing tax-deferred.
More advantageous RMD beginning date for surviving spouses	Effective in 2024, a surviving-spouse 401(k) beneficiary can be treated the same as the deceased spouse when determining the beginning age for RMDs. The required beginning date won't be earlier than the date on which the employee would've been required to begin RMDs.	By delaying the starting date for a spousal beneficiaries, money is allowed to continue growing tax-deferred for longer before RMDs begin.

For more information about the SECURE 2.0 Act, please talk to your financial professional.

Source: U.S. Government Publishing Office, "Consolidated Appropriations Act, 2023"

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