



SECURE Act 2.0 is Here

What recordkeepers need to do to be ready

The Setting Every Community Up for Retirement Enhancement (SECURE) Act 2.0 is one of the biggest updates to retirement rules in U.S. history.

SECURE 2.0 expands the types of accounts and transactions recordkeepers will have to manage. Many of the Act's features go into effect this year, meaning you'll need to get ready as soon as possible. Some alterations to how you operate your business will be minor. Others are seismic shifts from how you store and manage transactions today.

The nature and volume of SECURE 2.0's changes provide opportunities for recordkeepers to delight clients. Even though there are many moving parts, the right processes and platforms can help you benefit from this landmark legislation.

Understanding SECURE Act 2.0 for recordkeepers

SECURE 2.0 makes it easier for businesses to establish employee retirement accounts, creates automatic enrollment rules for participants, and more. This act is the biggest development in the industry since the passage of the Employee Retirement Income Security Act (ERISA) in 1974. Under SECURE 2.0, businesses will have greater flexibility to sponsor retirement plans, enroll more participants, and encourage employees to save.

Recordkeepers should get ready for:

- **A wave of new plans:** Tax incentives will generate more plan interest from small businesses.
- **Auto-enrollment:** New plans require participant auto-enrollment opt-in with a beginning investment at 3%, increasing by 1% per year up to 10%. This should lead to more participants enrolling and staying within their employer retirement savings program.
- **Catch-up contributions:** SECURE 2.0 significantly increases catch-up allowances for eligible participants.
- **Student loan reimbursement:** The Act makes it easier for businesses to offer student loan reimbursement matching.
- **Required minimum distribution (RMD) changes:** The RMD age will go from 72 to 73 this year and 75 by 2033.
- **403(b) changes:** SECURE Act 2.0 set the stage for the possible inclusion of CIT's in 403(b) plans. However, additional legislative and regulatory work is needed before 403(b) plans can utilize CIT investments in their plan lineup.
- **529 to Roth IRA conversion:** New provisions allow 529 account holders to a one-time transfer to a Roth IRA penalty free.

The opportunities (and challenges) of SECURE 2.0

SECURE 2.0 provides the retirement industry with the makings of a vastly expanded pool of new investors and plan sponsors. With these changes come challenges and opportunities, especially for recordkeepers who are able to adapt quickly and scale their resources.

Here's what you need to do to be prepared and positioned to succeed in the SECURE 2.0 era:

1. The way you store information will change

SECURE 2.0 includes new information storage requirements. New retirement account types and employer-sponsored student loan repayment plans will call for a major scale-up of your capabilities. Be ready for new provisions, such as 529 to Roth IRA conversions, as they will require additional capabilities when they come into effect.

The Act includes new provisions that allow for emergency withdrawals without penalties. You'll also have to track employer matching contributions to student loan repayment. In certain cases, you may also have to provide a paper statement once a year to participants.

2. Get ready for new account types

SECURE 2.0 will create an entirely new set of retirement account options, specifically for small and medium-sized businesses. Recordkeepers will have to prepare for the unique challenges and opportunities that come with venturing into this area for the first time.

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3. Investors are playing catch-up – and you'll have to keep pace

Changes to catch-up contribution limits will require recordkeepers to change how they gather and store transaction information. Americans are worried about retirement savings, so expect plenty of them to take advantage of these new, relaxed rules around catch-up contributions

4. Expect (and embrace) client questions

The volume of changes and new opportunities for retirement plan sponsors are high. Employers can start plans with less risk and expense, include part-time employees, and help their workforce pay back student loans. There will be many questions from your clients as they acquaint themselves with new provisions.

Making your business ready for SECURE 2.0

Neither you nor your clients need to go it alone, however. Having the right platform in place helps you adapt your trust and custodial services to the changes SECURE 2.0 is set to bring. Time spent gearing up for change can be spent in other ways, like providing clients with reassurance and guidance as the world of retirement plans expands.

Broadridge can help

In the face of regulatory changes and shrinking margins, recordkeepers are looking for ways to maintain and grow their businesses. Broadridge can help you be confident that you have the right processes in place to succeed. Matrix Financial Solutions Inc. (Matrix), a Broadridge company, provides the tools and capabilities you need in order to adapt. The Matrix platform supports financial professionals, including banks, third party administrators, recordkeepers, financial advisers, broker-dealers, mutual fund providers, and insurance providers, among others.

