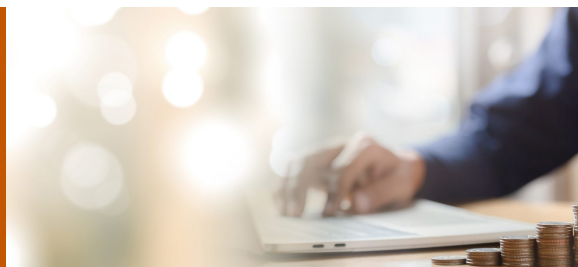


## SECURE Act 2.0 – 401(k) Contribution Automatic Enrollment Requirement

SEPTEMBER 10, 2024 | BY: THE RETIREMENT PLAN ADMINISTRATION TEAM



Starting January 1, 2025, SECURE Act 2.0 introduces a new 401(k) contribution automatic enrollment requirement for certain employers that have started a new 401(k) Plan.

**What is Automatic Enrollment?** Automatic enrollment means employees are automatically signed up for a retirement plan (unless they opt-out). This has proven to increase participation and savings rates, especially for groups of employees that historically have not participated in retirement plans.

### Which 401(k) Plans are affected?

- Starting in 2025, newly established plans must auto-enroll eligible employees at a minimum of 3% of their pay, with annual escalation up to 15% of pay. Employees can opt-out or adjust their contributions.
- Plans established in 2023 or 2024 must also implement auto-enrollment features to comply with SECURE Act 2.0 for 2025.
- These rules also apply to 403(b) Plans.

### Which 401(k) Plans are not affected:

1. Plans set up before December 29, 2022, are exempt from requiring auto-enrollment.
2. Businesses with fewer than 11 employees are exempt, but must add auto-enrollment when they reach 11 employees.
3. Plans for businesses that are less than three years old are exempt.
4. Churches and government entities are exempt.

Businesses implementing auto-enrollment may qualify for a tax credit of up to \$500 per year for the first three years, in addition to any other existing start-up tax credits.

Please contact JO Retirement Plan Services to assist in designing a retirement program that meets the automatic enrollment requirements.

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