

Michael Katz
Financial Advisor
CA Insurance License # 0E33739
445 Broadhollow Rd, Suite 405
Melville, NY 11747
(631) 927-3380
michael.katz@prudential.com
www.katzgroupadvisors.com

THE KATZ GROUP

comprehensive financial services for individuals, families and businesses



Brian Katz, WMCP®, RICP®
Financial Advisor
CA Insurance License # 4225307
445 Broadhollow Rd, Suite 405
Melville, NY 11747
(516) 236-8859
brian.katz@prudential.com
www.katzgroupadvisors.com

The Katz Group Newsletter

Edition: Q2 2023

The SECURE 2.0 Act: A Sequel

We hope this edition of our quarterly newsletter finds you well and that you have had an enjoyable winter so far. With warmer weather (hopefully) around the corner, I for one am eagerly looking forward to getting out and about. While there is an undeniable charm to bundling up and watching movies by the fire, I am definitely excited to put down the TV remote and grab my tennis racquets and golf clubs. As I prepare to turn the page on the winter binge season, it seems that there has been a noticeable flurry (pun intended) of blockbuster movie sequels lately including Top Gun, Avatar, Black Panther and Glass Onion just to name a few. Making a successful sequel, especially of a classic, is always a daunting task as the film inevitably gets held to the high standards set by the original version. In 1974, Francis Ford Coppola defied the odds with The Godfather Part II, a perfect continuation of arguably the greatest and most influential film ever made. Part II instantly became (and to this day remains) the gold-standard for movie sequels, thanks in large part to the iconic character of Hyman Roth, a self-proclaimed “retired investor living on a pension”¹. The federal government recently released a sequel of its own, the SECURE 2.0 Act, which expands upon the original SECURE Act that was passed at the end of 2019. Unlike Hyman Roth, most investors today don’t have traditional defined benefit pension plans to rely upon in retirement, so these pieces of bipartisan legislation are intended to help Americans bolster their retirement savings and strengthen their long-term financial security². And coincidentally, “Roth” is one of the most prevalent themes and terms that can be found throughout the government’s sequel. In this publication, we seek to highlight some of the main provisions of the SECURE 2.0 Act that involve Roth tax treatment.

Roth tax treatment has steadily been growing in popularity among investors and the government alike. In fact, according to the Investment Company Institute, the Roth IRA has become the fastest growing segment of the multi-trillion-dollar IRA market³. Roth assets are typically created with after-tax contributions and/or conversions, thus creating more current tax revenue for the government (a favorable outcome for Uncle Sam). But on the flip side, Roth assets offer significant future tax advantages to investors who stand to benefit from both tax-free earnings potential and tax-free distributions (as long as certain conditions are met). So, it should come as no surprise that Roth tax treatment is widely encouraged and deeply entrenched throughout the SECURE 2.0 Act. Here are some examples:

¹ Coppola, Francis Ford. The Godfather Part II. Paramount Pictures, 1974.

² SECURE Act 2.0 Consumer Overview Flyer- Prudential

³ The Advisor’s Guide to IRAs and N.Y. Insurance Law, Ethics and Professionalism, Diversity, Exclusion and Elimination of Bias (2022 edition)- Edward J. Barrett

Offering investment advisory services and programs through Pruco Securities, LLC (Pruco) (SIPC), under the marketing name Prudential Financial Planning Services (PFPS), pursuant to a separate client agreement. Offering insurance and securities products and services as a registered representative of Pruco, and an agent of issuing insurance companies. The Katz Group is not affiliated with The Prudential Insurance Company of America and its affiliates, including Pruco. Other products and services may be offered through a non-Prudential entity. Prudential and the Prudential logo are service marks of Prudential Financial, Inc., and its related entities, registered in many jurisdictions worldwide. 1-800-778-2255

The content in this piece does not constitute tax advice. Please consult a tax advisor to discuss your specific tax questions and circumstances.

1058573-00002-00 exp. 09/27/2024

Michael Katz
Financial Advisor
CA Insurance License # 0E33739
445 Broadhollow Rd, Suite 405
Melville, NY 11747
(631) 927-3380
michael.katz@prudential.com
www.katzgroupadvisors.com

THE KATZ GROUP

comprehensive financial services for individuals, families and businesses



Brian Katz, WMCP®, RICP®
Financial Advisor
CA Insurance License # 4225307
445 Broadhollow Rd, Suite 405
Melville, NY 11747
(516) 236-8859
brian.katz@prudential.com
www.katzgroupadvisors.com

The Katz Group Newsletter

Edition: Q2 2023

Roth Contributions: Previously, SEP and Simple IRAs have only permitted pre-tax contributions. Effective immediately (January 2023), small business owners now have the option to offer Roth accounts in SEP and SIMPLE IRAs⁴.

Roth Matching Contributions: According to prior rules, employer matching contributions had to be made on a pre-tax basis. Beginning in 2023, employers may now allow employees to elect that their matching contributions be made on a Roth basis.⁵ Since these contributions are taxable to employees, they cannot be subject to a vesting schedule.

Roth Catch-Up Contributions: Starting in 2024, catch-up contributions under 401(k), 403(b), and 457(b) plans will be required to be made on a Roth basis for those participants who are age 50+ and whose income exceeds \$145,000, even if their regular contributions are made with pre-tax dollars⁶.

RMDs from Roth Accounts: While Roth IRAs have long been exempted from lifetime Required Minimum Distribution (RMD) rules, their in-plan counterparts (Roth accounts) have not been afforded the same luxury. Effective in 2024, RMDs will no longer need to be taken from Roth accounts within qualified employer plans⁷.

529 Plan Rollovers to Roth IRAs: Under previous law, 529 plan assets would generally be subject to taxes and penalties if used for any purpose other than qualified education expenses. Now, starting in 2024, beneficiaries of 529 plans may rollover up to \$35,000 of 529 plan assets into a Roth IRA, providing savers with additional flexibility with excess or unneeded education funds. Such rollovers are, however, subject to limitations such as annual contribution limits (\$6,500 in 2023), earned income requirements (the plan beneficiary must have earned income), and holding requirements (the 529 account must have been open for at least 15 years in the name of the beneficiary)⁸.

Although the SECURE 2.0 Act contains many more provisions reforming other areas of the retirement landscape, an emphasis on expanding Roth tax treatment is clearly evident. It remains to be seen what kind of legacy this sequel will leave, but if it is even a fraction of that left by The Godfather Part II, I think

⁴ American Funds "5 Ways SECURE 2.0 Act May Impact Wealth Management Clients" by Leslie Geller 1/12/2023

⁵ American Funds "5 Ways SECURE 2.0 Act May Impact Wealth Management Clients" by Leslie Geller 1/12/2023

⁶ American Funds "5 Ways SECURE 2.0 Act May Impact Wealth Management Clients" by Leslie Geller 1/12/2023

⁷ JPMorgan "Secure 2.0 is here. What do you need to know?" by Dan Notto 1/3/23

⁸ American Funds "5 Ways SECURE 2.0 Act May Impact Wealth Management Clients" by Leslie Geller 1/12/2023

Offering investment advisory services and programs through Pruco Securities, LLC (Pruco) (SIPC), under the marketing name Prudential Financial Planning Services (PFPS), pursuant to a separate client agreement. Offering insurance and securities products and services as a registered representative of Pruco, and an agent of issuing insurance companies. The Katz Group is not affiliated with The Prudential Insurance Company of America and its affiliates, including Pruco. Other products and services may be offered through a non-Prudential entity. Prudential and the Prudential logo are service marks of Prudential Financial, Inc., and its related entities, registered in many jurisdictions worldwide. 1-800-778-2255

The content in this piece does not constitute tax advice. Please consult a tax advisor to discuss your specific tax questions and circumstances.

1058573-00002-00 exp. 09/27/2024

Michael Katz
Financial Advisor
CA Insurance License # 0E33739
445 Broadhollow Rd, Suite 405
Melville, NY 11747
(631) 927-3380
michael.katz@prudential.com
www.katzgroupadvisors.com

THE KATZ GROUP

comprehensive financial services for individuals, families and businesses



Brian Katz, WMCP®, RICP®
Financial Advisor
CA Insurance License # 4225307
445 Broadhollow Rd, Suite 405
Melville, NY 11747
(516) 236-8859
brian.katz@prudential.com
www.katzgroupadvisors.com

The Katz Group Newsletter

Edition: Q2 2023

we'll all be pretty happy. As Hyman Roth says in the film, "this is the business we've chosen"⁹ and we remain committed to helping our clients navigate the complex and always evolving retirement planning environment. As always, we'd like to thank our clients for their continued trust and confidence. Please don't hesitate to reach out to us with any questions, comments, or concerns. We look forward to hearing from you.

A handwritten signature in black ink, appearing to read "BK", written over a white background.

Brian Katz, WMCP®, RICP®
Financial Advisor

⁹ Coppola, Francis Ford. The Godfather Part II. Paramount Pictures, 1974.

Offering investment advisory services and programs through Pruco Securities, LLC (Pruco) (SIPC), under the marketing name Prudential Financial Planning Services (PFPS), pursuant to a separate client agreement. Offering insurance and securities products and services as a registered representative of Pruco, and an agent of issuing insurance companies. The Katz Group is not affiliated with The Prudential Insurance Company of America and its affiliates, including Pruco. Other products and services may be offered through a non-Prudential entity. Prudential and the Prudential logo are service marks of Prudential Financial, Inc., and its related entities, registered in many jurisdictions worldwide. 1-800-778-2255

The content in this piece does not constitute tax advice. Please consult a tax advisor to discuss your specific tax questions and circumstances.

1058573-00002-00 exp. 09/27/2024