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Revisiting the SECURE 2.0 Act

26 January 2024, 6:43 pm CET, written by UBS Editorial Team

The UBS Chief Investment Office (CIO) highlights the SECURE 2.0 Act provisions that are particularly important to individuals with assets held in employer-sponsored retirement plans and IRAs in 2024.[1]

RMDs begin at age 73

If you turn 73 in 2024 or later, then you don't have to start taking required minimum distributions (RMDs) until you reach age 73 (prior to the SECURE 2.0 Act, RMDs began at age 72). If you reach age 73 in 2033 or later, then you won't be subject to RMDs until age 75.[2]

If you turn age 73 in 2024, you have until 1 April 2025 to satisfy your first RMD (2024's RMD) and you have until 31 December 2025 to take your second RMD. Keep in mind that if you were to take both RMDs in 2025, it could push you into a higher tax bracket leading to a higher tax cost as both distributions would be taxable in one tax year.

Holding the bulk of your wealth in tax-deferred accounts could create a "tax time bomb" for your retirement years, when you will be taxed on distributions from those accounts. Instead of sticking to the minimum distributions required by the government, we recommend working with your financial advisor and your tax advisor on a strategy that maximizes your after-tax wealth potential.

You can give more to charity through a QCD

Qualified charitable distributions (QCDs) give you and your spouse the opportunity to transfer some of your retirement assets directly to qualified charities without incurring income tax on those dollars, while simultaneously offsetting all or a portion of your RMD that year.[3]

Thanks to the SECURE 2.0 Act, the annual limit for QCDs has increased for the first time. In 2024, the annual

QCD limit has increased to USD 105,000 (up from USD 100,000 in 2023).

The SECURE 2.0 Act also expanded the IRA charitable distributions to allow for a one-time election to transfer assets via a QCD to a charitable gift annuity (CGA), charitable remainder unitrust (CRUT), or a charitable remainder annuity trust (CRAT).3 This one-time election for QCDs to split-interest entity is limited to USD 53,000 per individual (up from USD 50,000 in 2023).

If QCDs are part of your giving strategy, we suggest revisiting these distributions with your financial advisor to adjust the amount to align with the increased limits this year.

Some 529 assets can be rolled over to a Roth IRA

Beginning this year, the owner of a 529 account that's been opened for more than 15 years can transfer up to USD 35,000 (lifetime limit per beneficiary) from that account to a Roth IRA for the 529's beneficiary (not to the account owner's Roth IRA).

This provision makes it more beneficial to start saving for college education early—the sooner you open the 529 account, the sooner you'll meet the 15-year requirement. It's important to note that amounts contributed to the 529 in the last five years and their earnings are ineligible to be rolled over.

Additionally, the beneficiary must have earned income that year and these rollovers will be subject to Roth IRA annual contribution limits (currently USD 7,000). This means that you can only roll over an amount up to that year's contribution limit, less any other IRA contributions you make that year. However, unlike regular Roth IRA contributions, eligibility to complete this rollover will not be impacted by the beneficiary's income level.

Given these limitations, we don't suggest deliberately overfunding your 529 plan to take advantage of this provision. However, families now have another option to help some of their leftover 529 assets avoid being taxed or penalized upon distribution. Speak with your financial advisor to discuss the various options you may have available for leftover 529 assets. For more information, please see **How to get the most out of your 529 plan**.

Important update: The provision that subjects catch-up contributions to qualified retirement plans to Roth tax treatment is delayed to 2026. This means you can still make catch-up contributions to your employer-sponsored plan on a pre-tax or Roth basis (if the plan allows). Starting in 2026, catch-up contributions will be subject to Roth tax treatment if your compensation is above USD 145,000 (indexed to inflation).

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Read the complete **2024 retirement guide** for updates on what's new for the retirement planning landscape, including a Medicare and Social Security.

[1] Some provisions are subject to additional clarification and interpretation, so please consult with your plan provider, financial advisor, and tax advisor before taking any action in response to the provisions listed below.

[2] The effective date for when the applicable RMD age will increase to 75 is pending clarification.

[3] It's important to note that QCDs are only an option if you are at least age 70 1/2, can generally only be done with Traditional IRA assets, and they cannot exceed the annual limit (USD 105,000 in 2024). Another limitation is that, if you are also planning to make deductible contributions to your IRA during any tax year beginning with the year you turn age 70 1/2, that deductible contribution may reduce the portion of QCDs that you're able to exclude from future taxes. Please note that you cannot make a QCD to a Donor Advised Fund or a private foundation.