SLAVIC401K

Overview of Secure 2.0: Automatic Enrollment Requirement

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Meet Our Team

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SLAVIC 401K

Today’s Agenda

- Mandatory Automatic Enrollment
- Amendment Process
- Employer Benefits
- Tax Credit
- Notifications
- Employee Benefits
- Employee Eligibility
- Investment Allocations and QDIA
- Participant Resources

Mandatory Automatic Enrollment

- The SECURE 2.0 Act ("SECURE 2.0") - landmark retirement plan legislation signed into law on December 29, 2022.
- It aims to increase access and participation in retirement plans for millions of workers.
- One of the pivotal requirements of SECURE 2.0 is its mandate to include automatic enrollment provisions in employer-sponsored retirement plans, such as your 401(k) plan.

Mandatory Automatic Enrollment

- New plans setup after December 29, 2022, must automatically enroll eligible employees at a rate that is between **3% and 10%**.
- Rate must automatically **escalate by 1%** every subsequent year up to a minimum of 10% and maximum of 15%.
- Contributions are invested in a "**qualified default investment alternative**" unless participant elects otherwise.
- **Participants can opt out** by electing not to participate or changing their rate.
- Participants may withdraw automatic contributions within **90 days** of automatic enrollment.

Amendments

Amendments not due until December 31, 2026

Amendment will be provided for signature prior to December 31, 2026

For effective date 1/1/2025 employers received formal communication regarding automatic enrollment

Automatic enrollment will be capped at 10% unless employer elects otherwise

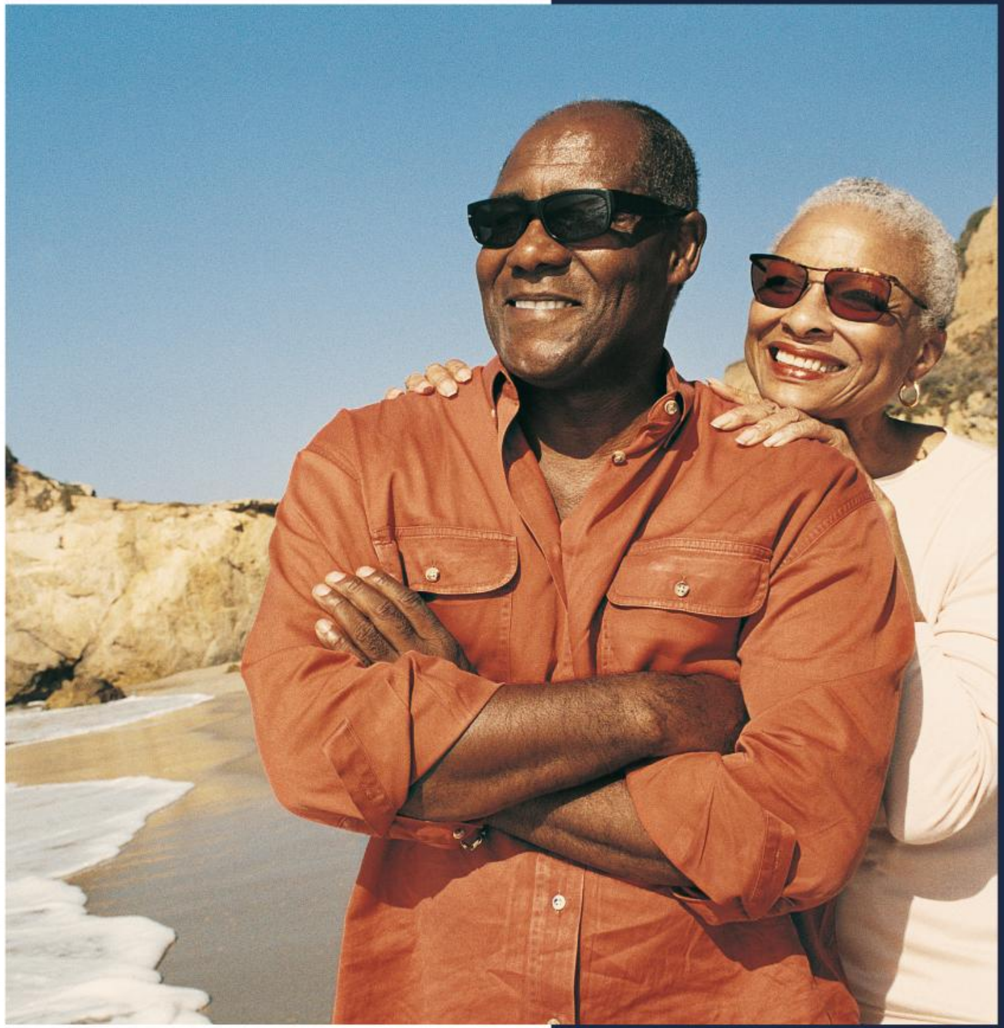
Employer Benefits

- Earn up to **$500 tax credit** for up to 3 years
- Help attract & retain valued employees: 401(k) plans are the second most-wanted benefit after health insurance (Forbes)
- Small businesses reduce their turnover rate by 74% when employees participate in the company's 401(k) plan. (U.S. Bureau of Labor Statistics)
- Improves non-discrimination testing results

Tax Credit Eligibility

To be eligible for the credit, the employer must have 100 or fewer employees who earned at least $5,000 in compensation in the preceding year.

Size of the Employer	Tax Credit
1-100 employees	**$500**
101+ employees	$0



Form **8881** (Rev. December 2023) Department of the Treasury Internal Revenue Service

Credit for Small Employer Pension Plan Startup Costs, Auto-Enrollment, and Military Spouse Participation

Attach to your tax return.

Go to *www.irs.gov/Form8881* for instructions and the latest information.

OMB No. 1545-1810

Attachment Sequence No. **130**

Name(s) shown on return | **Identifying number**

Part I — Credit for Small Employer Pension Plan Startup Costs (Including Employer Contributions)

A	Enter the number of qualifying employees. See instructions	
1	Qualified startup costs incurred during the tax year	1
2	Employers with 1-50 employees enter the amount from line 1. Employers with 51-100 employees enter 50% (0.50) of line 1	2
3	Enter the number of employees eligible to participate in the pension plan. See instructions. ______ X $250	3
4	Enter the greater of $500 or the amount from line 3 (Do not enter more than $5,000)	4
5	Enter the smaller of line 2 or line 4	5
6a	Enter the number of employees from the preceding tax year. See instructions	6a
b	Enter employer contributions made to the plan, but don't include (i) elective deferrals, (ii) contributions made to employees whose wages paid to the employee were in excess of $100,000 and (iii) any amount of contributions to an employee to whom you made contributions of more than $1,000	6b
c	For employees for whom you made matching and nonelective contributions of more than $1,000, (and who are not disqualified because they meet 6b(ii) above), see the instructions for information on how to determine the amount to enter on line 6c. If you did not make this type of contributions, enter -0-	6c
d	Add lines 6b and 6c	6d
	If the number of employees entered on line 6a is 50 or less, enter the amount from line 6d on line 6f. If the number of employees entered on line 6a is 51-100, continue to line 6e(1).	
e	(1) Subtract 50 (50.0) from the number of employees entered on line 6a	6e(1)
	(2) Multiply line 6e(1) by 2% (0.02)	6e(2)
	(3) Multiply line 6e(2) by line 6d	6e(3)
	(4) Subtract line 6e(3) from line 6d	6e(4)
f	If you did NOT complete line 6e, enter the amount from line 6d. If you completed line 6e, enter the amount from line 6e(4)	6f
g	Applicable percentages. See instructions • If this is treated as the first or second year of the plan, enter the amount from line 6f. • If this is treated as the third year of the plan, multiply line 6f by 75% (0.75). • If this is treated as the fourth year of the plan, multiply line 6f by 50% (0.50). • If this is treated as the fifth year of the plan, multiply the amount on line 6f by 25% (0.25).	6g
7	Credit for small employer pension plan startup costs from partnerships and S corporations	7
8	Add lines 5, 6g, and 7. Partnerships and S corporations, report this amount on Schedule K. All others, report this amount on Form 3800, Part III, line 1j	8

Part II — Small Employer Auto-Enrollment Credit

9	Enter $500 if an auto-enrollment option is provided for retirement savings	9
10	Small employer auto-enrollment credit from partnerships and S corporations	10
11	Add lines 9 and 10. Partnerships and S corporations, report this amount on Schedule K. All others, report this amount on Form 3800, Part III, line 1dd	11

Part III — Military Spouse Participation Credit

Caution: You can't claim the credit if you had more than 100 employees in the preceding tax year.

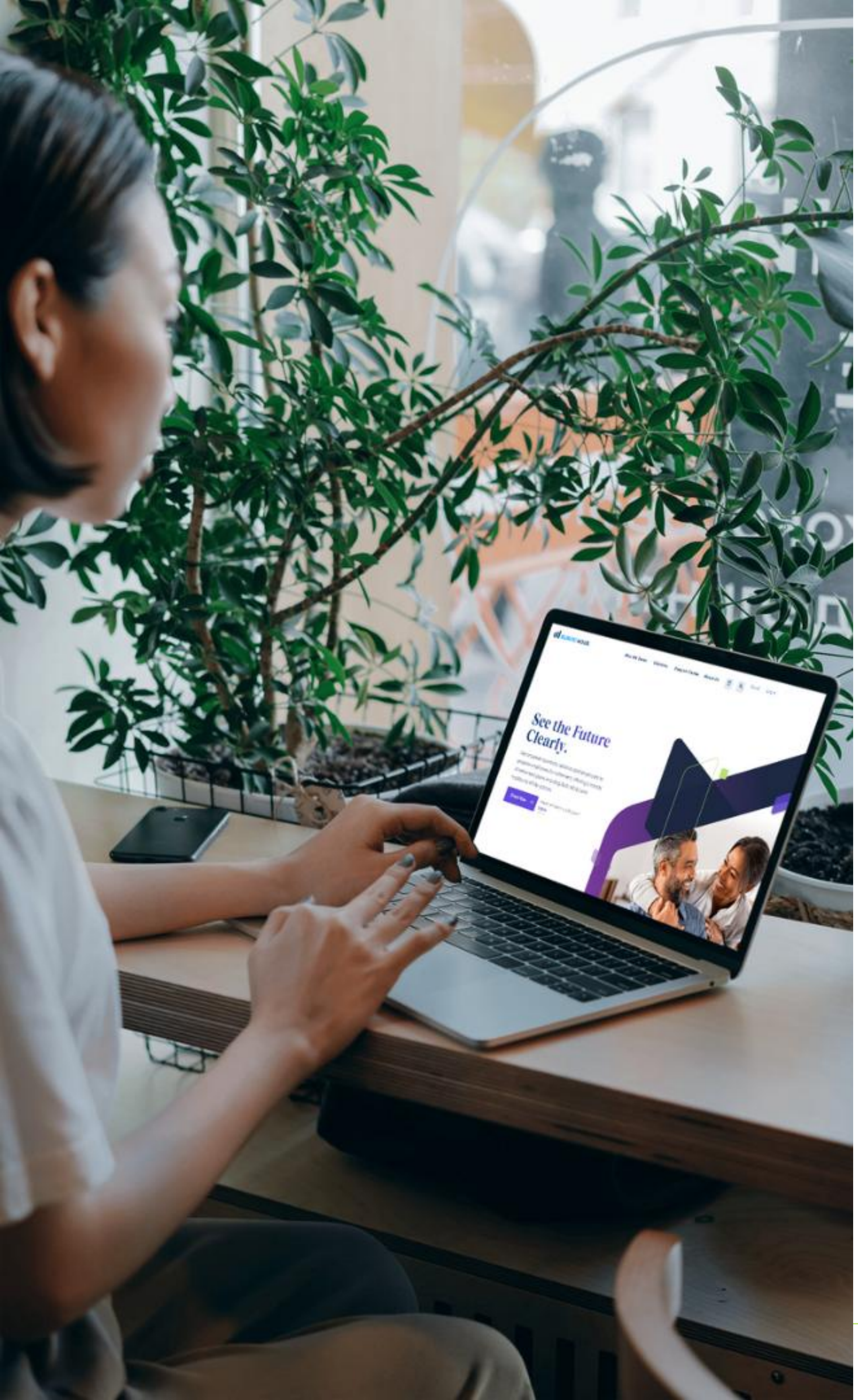
12	Enter the number of military spouse employees participating in an eligible plan. See instructions. ______ X $200	12
13	Amount of contributions paid by employer for each eligible military spouse employee. Do not enter more than $300 per employee. See instructions	13
14	Credit for small employer military spouse retirement plan from partnerships and S corporations	14
15	Add lines 12, 13, and 14. Partnerships and S corporations, report this amount on Schedule K. All others, report this amount on Form 3800, Part III, line 1ee	15

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 33435N Form **8881** (Rev.12-2023)

Tax Credit Background

Secure 2.0 introduced tax credits for small business employers who may also be eligible for an additional tax credit if the new plan includes an auto-enrollment feature that meets the IRS requirements.

- Additionally, this tax credit is available to existing plans that add a new automatic enrollment feature to their plans.
- The tax credit is available for the first three years in which the automatic enrollment feature is effective.



Employer & Employee Notifications

- Several communication to employers informing them of the requirement to add automatic enrollment effective January 1, 2025.
- Multiple notifications to Participants well in advance of January 1, 2025.

Employee Benefits

- This automatic enrollment feature makes it easier for employees to join retirement plans and start saving
- Increased participation and utilization of employer matching contributions
- Improved retirement preparedness
- Reduced risk of outliving savings
- Defaulted investment options and deferrals makes saving hassle-free
- Improved financial wellness

Participant Eligibility

Participants will be automatically enrolled in the employer's 401(k) Plan after satisfying the eligibility and entry date requirements.

- Prior to meeting the plan's eligibility requirements, participants will receive the plan enrollment packet via email.
- This information includes information about plan fees, summary of plan provisions, investment options, QDIA notice and an **Automatic Enrollment notice**.
- Upon receipt of the enrollment packet, participants have the opportunity to enroll in the plan and select a deferral rate, including the type of contribution (**Pre-Tax, Roth or both**).

Investment Allocations and QDIA

Investment Allocations – Participants who are auto enrolled may select how they want their contributions invested by selecting from an array of plan investment offerings.

QDIA (Qualified Default Investment Alternative) - The QDIA is a plan investment used when an employee does not make an investment election. The asset mix is generally based on the participant's age and retirement date.

Participants should carefully review the QDIA notice in their enrollment packet for further information.

Participants can leave their contributions in the QDIA or can always transfer to another plan investment(s).

Participant Resources

Webinar: Automatic Enrollment in Your Employer's 401(k) Plan (Effective Jan 1, 2025)

Date: Wednesday, November 13th

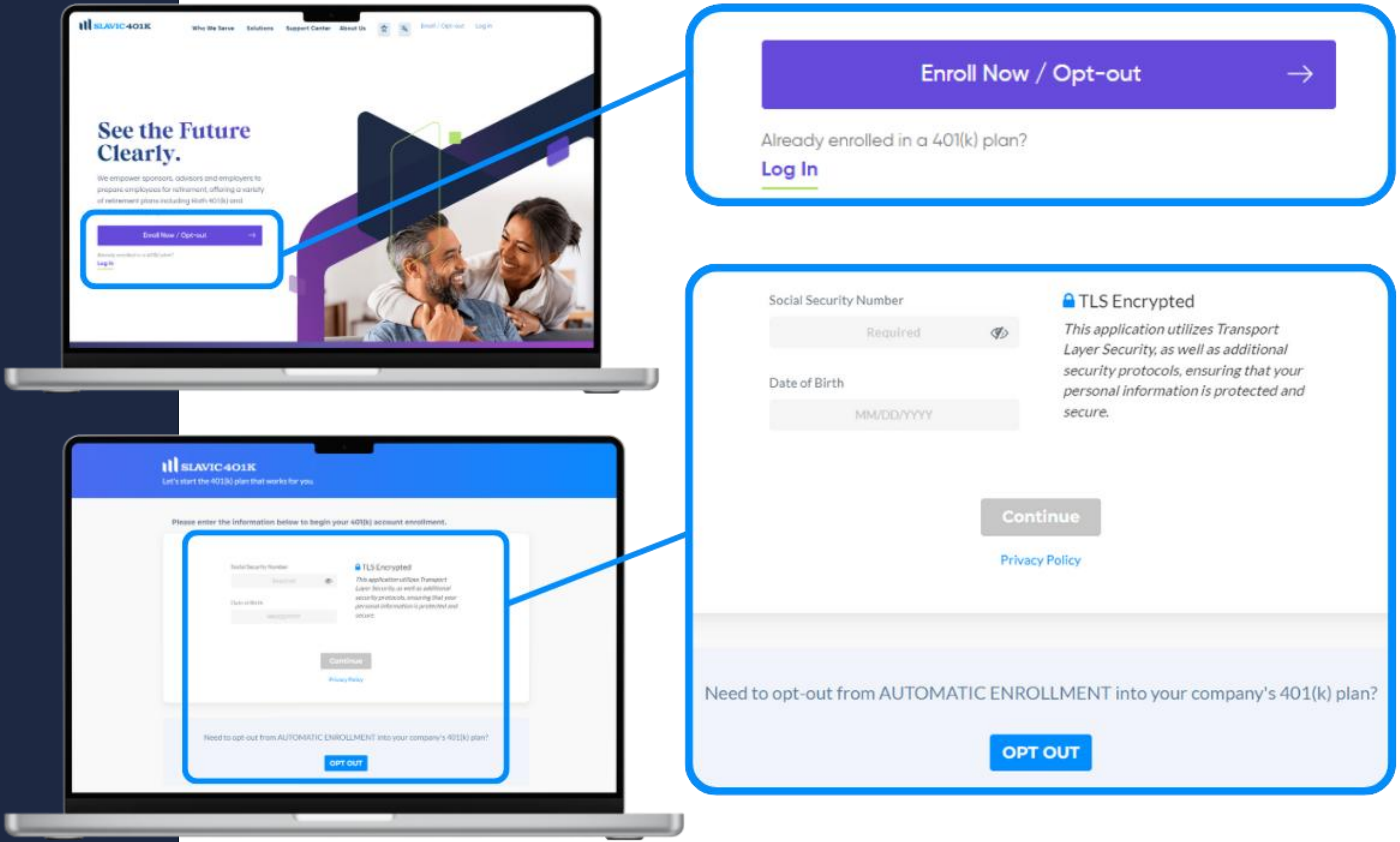
Time: 1:00 - 1:30 PM EST

The 401(k) Enrollment Decision is Easy

Visit Slavic401k.com and click "Enroll Now / Opt-out"

To Enroll: Enter your Social Security Number and Date of Birth, then click "Continue"

To Opt Out: Click the "Opt Out" button and follow the steps



Questions?

This webinar presentation will be shared with the attendees and available online at Slavic401k.com

Have more questions visit clientsuccess@slavic401k.com or speak directly to your client success representative.

Thank you!

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