



DAP

A lifelong retirement plan

Heads Up

Directed Account Plan 401(k) Quarterly Newsletter

July 2024

How SECURE 2.0 Act may help boost your retirement savings

The SECURE 2.0 Act bill was signed into law on December 29, 2022. The legislation is aimed at helping working Americans better prepare for their financial future while strengthening the retirement system as a whole for both employers and employees. While SECURE 2.0 contains dozens of provisions, this newsletter highlights some of the key provisions that pertain to your 401(k) Plan.



RAISING THE RMD AGE AND MORE

Required minimum distributions (RMDs) are the minimum amounts you must withdraw from your retirement accounts each year. The chart below summarizes the major RMD related SECURE 2.0 changes pertaining to your 401(k) Plan.

The required beginning date of the RMD increased to age 73, starting January 1, 2023 and will increase to 75 on January 1, 2033.

Roth accounts in 401(k) plans are exempt from the RMD requirements starting in 2024. If you have a Roth and Non-Roth balance in your Directed Account Plan, your 2024 RMD will be calculated using your December 31, 2023 Non-Roth balance.

A surviving spouse can elect to use the IRS Uniform Table starting in 2024, if the date of death of the original account holder is after December 31, 2023. The IRS Single Life Table is the default unless an election is made to use the Uniform Table. The election can be made on the Empower Death Benefit Claim form. Please consult your tax or financial advisor to learn about this new Secure 2.0 provision.

Starting in 2023, the penalty for failing to take an RMD decreased to 25% (and potentially even 10% in certain instances) of the RMD amount not taken. Although the retirement plan may calculate the RMD, the account owner is ultimately responsible for taking the correct RMD amount. The IRS FAQ page includes the IRS RMD tables and more information about your RMD responsibilities (www.irs.gov - type RMD in the search bar).

Manage your RMD distribution with the Required Minimum Distribution Request Form. You specify how and when you take your RMD payment with this form. Learn more on page two of this newsletter.

CHANCE TO PLAY MORE CATCH UP

The active participants in the DAP will have more room to play catch up in 2025 if you are nearing retirement age. Starting January 1, 2025, participants ages 60 through 63 years old will be able to make super catch-up contributions up to \$10,000 annually, and the amount will be indexed for inflation. The catch-up amount for people age 50 and older is \$7,500 in 2024. Participants between age 50 and 59 will be able to catch-up but not at the super catch-up rate.

Starting in 2026, if you earn more than \$145,000 in the prior calendar year, all catch-up contributions in a 401(k) plan will need to be made to a Roth account in after-tax dollars. Participants earning \$145,000 or less, adjusted for inflation going forward, will be exempt from the Roth requirement.

EXPANSION TO AUTOMATIC ENROLLMENT

Starting in 2025, companies adopting a new 401(k) plan are required to automatically enroll eligible employees. They must be enrolled at a rate of at least 3%, which would increase annually until they reach at least 10%. Employees have the option to opt out or choose a lower or higher deferral rate that fits their needs.

This provision does not affect the Directed Account Plan because your company has already been automatically enrolling eligible employees at a 6% contribution rate. Your company matches 100% up to 6% which means you start saving with a 6% individual (pre-tax) and 6% employer match savings rate for a total of 12% savings to your 401(k) per paycheck. Your savings rate also automatically increases annually until you reach 15%. You have the option to opt or change your savings rate at any time. The 2024 individual IRS contribution limit for employees who participate in a 401(k) plan is \$23,000.

Making your Required Minimum Distribution Request

Many of the Directed Account Plan RMD-eligible participants are dependent upon meeting their Required Minimum Distribution through the annual RMD force out distribution in December. This year the force out will take place earlier, in November and there is a \$25 fee. The DAP Participants that rely on the force out do not have control over the date of the distribution and tax withholdings, often causing the frustrations. There is a much better way to manage your RMD with the Required Minimum Distribution Request form. This method allows you to take control of your RMD and there will not be any surprises at the end of the year.

The participants that already made their Required Minimum Distribution Request specified the ongoing timing of their RMD distribution, tax withholdings, and delivery method. They also took care of the spousal consent step once and for all. After making initial decisions, the RMD is automatically distributed according to their specifications. There is no shortage in meeting the RMD at the end of the year given all of the information was presented accurately on the form.

The Required Minimum Distribution Form is available online on the **Account Overview** page under the **Plan Forms** section. An Empower Representative can also send you the form by calling 1-844-861-4327. There are no installment payments origination or maintenance fees. Here are the highlights of the items you will check off your list when completing this form.

Steps on Form	Explanation
RMD Payment Option	You choose the type of payment - Either a one-time RMD payment or RMD installment payments. If you choose a one-time RMD payment, you will need to complete a new form for your next payment. If you choose the installment payments option, you do not need to complete a new form unless you need to make changes.
Installment Payment Options	You choose when you want to start your installment payments, and how often you would like your payments (monthly, quarterly, semi-annually or annually).
Tax Withholdings	There is detailed information on the form that covers the IRS requirements for taxation on an RMD distribution. You choose your federal and state tax withholdings. You may also default to the standard tax withholdings.
Delivery Options	You choose whether you want regular mail (free), or an electronic deposit ACH (free) to a bank on record. For a one-time RMD payment you also can choose your check to be express mailed to you for a fee.
Signature and Consent	The participant will always need to sign and date the form. If you are a former TWA Pilot, married and you have a TWA employer contribution source, then you will also need to obtain your spouse's consent through a notarized signature. If you choose the installment payments option, then the spousal consent will apply to all future year RMD payments.

The intent of this communication is to provide useful information, not investment advice. Each participant in the Directed Account Plan is ultimately responsible to make his or her own investment decisions.

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