

IT'S ASCENTIAL TO KNOW

VOLUME 14 • 2023 IN THIS ISSUE

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SECURE Act 2.0:

On December 23, 2022, the US Congress passed the Consolidated Appropriations Act of 2023, a \$1.7 trillion spending bill which included another iteration of the "SECURE Act" (Setting Every Community Up for Retirement Enhancement). The original SECURE Act was passed in December 2019 and made many modifications to retirement regulations. Most notably, it raised the age for Required Minimum Distributions (RMD) for IRA accounts from age 70.5 to age 72, and removed the stretch option for non-spousal IRA beneficiaries replacing it with a 10-year distribution mandate. The new SECURE Act 2.0 includes around 100 additional changes to retirement provisions, and while there are still many questions to be answered about the intricacies of this expansive bill, here are a few of the highlights:

▶ REQUIRED MINIMUM DISTRIBUTIONS:

- The RMD age is raised to age 73 for those born between 1951-1959 and to age 75 for those born in 1960 or later.
- The penalty for not taking a RMD is reduced from 50% to 25%, and the penalty will be reduced to 10% if the missed RMD is corrected in a timely fashion.
- Qualified Charitable Distributions (QCD) may still be made as early as age 70.5. The maximum annual QCD limit of \$100K, which has not been changed since inception, will be indexed for inflation beginning in 2024.

▶ 529 TO ROTH IRA TRANSFER

Beginning in 2024, there will be an option for transfers from a Section 529 college savings plan to a Roth IRA for the beneficiary. This will offer those who have overfunded a 529 plan an option to repurpose those funds for the beneficiary. There are several specifications for the new 529 to Roth IRA transfer:

- The 529 account must have been open for at least 15 years, and contributions must be in the account for at least 5 years to be eligible for transfer.
- The maximum lifetime transfer is \$35,000.
- The transfer amount cannot exceed the annual Roth IRA limit for any calendar year, and contributions made directly to a Roth IRA will be aggregated with the 529 to Roth transfer for the annual limit.
- The beneficiary must have earned income within the calendar year to qualify for a Roth transfer contribution. However, unlike normal Roth IRA contribution guidelines there are no income limitations for making these transfers.

SECURE Act 2.0 (cont.)

RETIREMENT PLANS

▶ EFFECTIVE IN 2023:

- Employers will be able to make after-tax "Roth" contributions in 401k & 403b plans (matching or non-elective contributions, but not profit sharing) if their plan allows it and the employee elects it. The employee will be required to pay the income tax on Roth employer contributions, and these contributions cannot be subject to vesting as a result.
- Employers may establish Roth SEP and Roth SIMPLE IRA plans, allowing employees the choice between after-tax or pre-tax deferrals.
- Employers may be eligible for several new tax incentives related to starting a new retirement plan.

▶ BEGINNING IN 2024:

- Employees who make more than \$145,000 in wages from their plan employer, and are eligible to make catch-up contributions to their 401k/403b, will be required to make their catch-up contributions as Roth contributions, not pre-tax.
- Student loan payments can be counted as employee elective deferrals, making them eligible for an employer match.
- There will be a new "Starter 401k" option for employers. This plan includes an auto-enrollment feature for employees but does not allow for employer contributions. The contribution limit will be the same as the IRA limit.

- Roth 401k & 403b plans will not have Required Minimum Distributions.
- Employers with Simple IRA plans will be allowed to make additional contributions beyond the current employer contribution limits. The additional amount depends on the number of employees.

▶ BEGINNING IN 2025:

- Beginning in 2025, catch-up contributions for those ages 60-63 only will increase to the greater of \$10,000 for 401k & 403b/\$5000 for Simple IRA OR 150% of the previous year's regular catch-up contribution.
- Beginning in 2025, new 401k/403b plans will require automatic enrollment for employees, with an opt-out feature.



There are many additional changes not listed here included in the bill, but these are some that we felt were most relevant to the widest variety of people. There remain a lot of unknowns about exactly how some of this will work, and we hope that as time passes there will be clarification. For now, this is meant as a starting point to understanding SECURE Act 2.0!

2022 BRIDGING THE GAP RACE

On a crisp fall morning this October, 400+ race participants joined together to raise funds and support women in their fight for equal pay and opportunity in the workforce. Runners were greeted with a glorious sunrise over Lake Superior and followed a beautiful course winding down Seven Bridges Road from the top of Hawks Ridge to the lakeshore, bridging many gaps along the way!

Ascential Wealth Advisors is proud to participate in this annual event as the title sponsor and lend our support to the race organizers at Duluth Running Co. Members of the Ascential Wealth team participated as both racers and volunteers for the event. If you attended, you may have seen us at one of the aid stations or at the finish line handing out cookies to hungry finishers!



Check presentation at Duluth Running Co. with members of the Ascential Wealth team and Entrepreneur Fund staff awarding race proceeds to the Women's Business Alliance.

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The proceeds from the race are donated to the Women's Business Alliance, a program within the Entrepreneur Fund, and this year, we are pleased to report that over \$7000 was raised! These funds will be used to support the 2022 SOAR Mastermind Program, a mentorship program for female entrepreneurs to help grow and strengthen their businesses. This year's cohort includes seven local women business owners, located across the area from Duluth to Grand Marais. Their focus is on developing leadership skills, hiring and retaining employees, creating positive business culture, sharing of tools and resources within the group, and providing support, encouragement, and understanding as fellow small business owners that face similar challenges and opportunities.

Here is what one cohort member has to say about the program:

"Being in this program with other entrepreneurs has opened my mind into what is possible with consistency, good guidance, and specific goals. Being specific with what my goals are and taking specific steps to achieve them has been a key to success. Further, I have learned not to be afraid to think big, to prioritize, and to enjoy the little victories. I have learned that we all have problems and situations that arise during our lives but we need to find ways to keep going. Personally, I feel enriched with knowledge and I feel that when problems arise, I know I can count on the Entrepreneur Fund for guidance as well as any of the ladies in our mastermind group for direction, comfort, and help."

As a woman-owned business, this cause is close to our hearts. We hope to help develop and grow the event to increase the funds raised in the years to come, helping the Women's Business Alliance and SOAR to lift up and support an ever growing number of female entrepreneurs in the community, which will benefit our local economy and bridge the gap!

We would love for you to join us next year and help us spread the word about this important event!

To learn more about the Women's Business Alliance and SOAR Master Program, visit:

<https://www.entrepreneurfund.org/what-we-do/womens-business-alliance/>

To learn more about the Bridging the Gap race event and how you can participate as a sponsor and/or a runner, visit:

<https://duluthwomenstenmile.com/>

84¢

What women, on average, earn for every dollar a man earns.

Pew Research Center, 2021

ADDITION TO THE ASCENTIAL WEALTH TEAM



Alison Paulseth-Bautch, MBA
Financial Advisor Trainee

We are excited to welcome Alison Paulseth-Bautch to the Ascential Wealth team! Alison joined us at the beginning of November 2022 and will be serving as a Financial Advisor upon obtaining appropriate licensing. She brings a wealth of experience in customer relations and finance, and we look forward to having you meet her. Here is a little more about Alison.

WHAT DID YOU DO PRIOR TO AWA?

For the last 15 years I have worked in the corporate sector, most recently as a Strategic Account Manager at Minnesota Power. I graduated from Winona State University with degrees in both Communication and Finance and received my MBA from the College of St. Scholastica. I enjoy working directly with people to understand their unique situations and develop strategic plans to address their goals.

WHY AWA?

Meeting with the AWA Team, I could see right away that our values and dedication to personalized client service were well aligned. I appreciate the collaborative approach the team takes to situations, and believe it is both unique and incredibly valuable to clients. I am excited to be part of a team that personifies exceptional professionalism, technical expertise and client centric advice.

WHAT DO YOU LIKE TO DO OUTSIDE OF AWA?

My husband Caleb and I live in Esko with our two boys and three girls, who keep us busy at home and with activities. Having lived in northern Minnesota for most of my life, I also like to spend time outdoors mountain biking, Nordic skiing or running. I enjoy the opportunity to serve my community as a board member with the Damiano Center in Duluth.

2022 & 2023 CONTRIBUTION LIMITS

Retirement Contribution Limits		
	2022	2023
IRA/Roth IRA	\$6,000	\$6,500
Over 50 Catch-up	\$1,000	\$1,000
SIMPLE IRA	\$14,000	\$15,500
Over 50 Catch-up	\$3,000	\$3,500
401(k)	\$20,500	\$22,500
Over 50 Catch-up	\$6,500	\$7,500

Health Savings Plan Contributions		
	2022	2023
Individual	\$3,650	\$3,850
Family	\$7,300	\$7,750
Over 55 Catch-up	\$1,000	\$1,000
Min. Annual Deductible		
Individual	\$1,400	\$1,500
Family	\$2,800	\$3,000
Max Out-of-Pocket		
Individual	\$7,050	\$7,500
Family	\$14,100	\$15,000

GET THERE FROM HERE

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Lori Spilde,
Client Services Mgr.

Brad Christiansen,
Financial Advisor

Alison Paulseth-Bautch,
Financial Advisor Trainee

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Financial Advisor

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