

SECURE Act 2.0 introduces a new 401(k) contribution automatic enrollment requirement

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Starting January 1, 2025, SECURE Act 2.0 introduces a new 401(k) contribution automatic enrollment requirement for certain employers that have started a new 401(k) Plan.

What is Automatic Enrollment?

Automatic enrollment means employees are automatically signed up for a retirement plan (unless they opt-out). This has proven to increase participation and savings rates, especially for groups of employees that historically have not participated in retirement plans.

Which 401(k) Plans are affected:

- Starting in 2025, newly established plans must auto-enroll eligible employees at a minimum of 3% up to 10% of their pay, with annual escalation up to 15% of pay. Employees can opt-out or adjust their contributions.
- Plans established in 2023 or 2024 must also implement auto-enrollment features to comply with SECURE Act 2.0 for 2025.

Which 401(k) Plans are not affected:

- Plans set up before December 29, 2022 are exempt from requiring auto-enrollment.
- Businesses with 10 or fewer employees are exempt.
- Newer businesses that have been in business for less than three years are exempt.
- Churches and government entities are exempt.

Overall, the Secure 2.0 Act's requirement for automatic enrollment in new retirement plans reflects a broader effort to enhance retirement security for American workers. By mandating automatic enrollment and providing various structuring options, the Act aims to increase participation rates and ensure that employees have a solid foundation for their retirement savings.

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