PAYCHEX THRIVE
A BUSINESS PODCAST

Season 4 | Episode 22

How the SECURE Act is Working to Combat the Retirement Crisis

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Announcer:
Welcome to Paychex THRIVE, a Business Podcast, where you'll hear timely insights to help you navigate marketplace dynamics and propel your business forward. Here's your host, Gene Marks.

Gene Marks:
Hey everybody and welcome back to another episode of Paychex THRIVE Podcast. My name is Gene Marks. Thank you so much for joining me. We are going to have an extended conversation about the SECURE Act. We're going to go back into the history of time on retirements and talk about the original SECURE Act of 2019 and then, of course, the brand new SECURE 2.0, which was just passed as part of an omnibus spending bill at the end of the year.

Gene Marks:
And there's a lot of it that will really impact all of us as business owners. So, we are excited to get into it and I'm excited to talk about it with our guests. I've got Sarah Faye Pierce, who is the Head of Government Relations at Paychex and I've got Michael Majors who is Vice President of HR Solutions at Paychex. So, first of all, both of you guys, thank you so much for joining me. Sarah, you've been on the job now, I forgot, before we started recording, did you say nine months, you've been at Paychex now?

Sarah Faye Pierce:
About nine months, yes.

Gene Marks:
Crazy. And you're based in DC?

Sarah Faye Pierce:
I'm based in DC, yep.

Gene Marks:
And your whole job is to lobby our political representation in the interests of Paychex customers. Is that a fair statement?

Sarah Faye Pierce:
Yeah, that's a great encapsulation of what I do. I'm here advancing the strategic objectives of the company but certainly those strategic objectives align with best supporting our 730,000 clients across the country. We have a big job because we pay one in 12 private sector workers and so I go to the Hill and I talk about policies that will help those small businesses be successful and be as competitive or compete on a similar level as the bigger companies.

Gene Marks:
I mean, it's a fascinating job and I always get fascinated by people that are in the lobbying business. And I just want to be really clear about this, that Sarah is not .... it's not about Paychex but it's about Paychex customers because what benefits your customers clearly benefits Paychex, right? And as a business owner myself, it is good to know that. I mean, I belong to certain small business organizations, they're lobbying on our behalf. My company's also a Paychex customer, so it's good to know that there are people from Paychex that are actually out there looking after me because I don't have the money or the time or the resource to do that. So, thank you for doing that.

Gene Marks:
I can only imagine how many cocktail parties you go to but that's a conversation for another day.

Sarah Faye Pierce:
Another-

Gene Marks:
Yeah, that's exactly right. That's exactly right. Michael, you are Vice President of HR Solutions at Paychex. So first of all, tell me how long have you been with the company and tell us a little bit about what that means, that you're VP of HR Solutions.

Michael Majors:
Yeah, so glad to be here with you today, Gene and Sarah. I've been with Paychex ...this month it's actually 18 years. So it's been a great career, in an awesome company. What I do as Vice President of HR Solutions is my team helps our clients and new prospects that come to Paychex, helps them set up benefits like 401(k) or other retirement options, health and benefits.

Michael Majors:
And we also help them with HR in outsourcing their HR needs, helping them manage the day-to-day complexities of running a small business, really giving the small companies access to large company benefits at costs that work for them and also HR resources that the big companies have that they're able to outsource through us at a fraction of the cost of trying to do it themselves.

Gene Marks:
Unrelated to this conversation, I'm literally planning on writing a piece, I think, for The Philly Inquirer in the next few weeks about when a small business should actually hire a full-time HR manager, like what are the tipping points they should be aware of as opposed to outsourcing it? But then again, there's a balance and I'm assuming you deal with a lot of companies that are all sizes that rely on you guys to perform the HR functions rather than having that expense.

Michael Majors:
Yeah. We find each company's unique. Sometimes outsourcing makes sense, sometimes insourcing makes sense, and sometimes people need to do both-

Gene Marks:
Fair enough.

Michael Majors:
... to get adequate coverage in all their capabilities. So kind of customize it for each client.

Gene Marks:
Okay. This conversation is about SECURE, SECURE 2.0 and the original SECURE Act. It's about retirement benefits. So that's one of the things, Michael, that your group helps your clients with and certainly it's one of those things, Sarah, that you've been lobbying for and working on, as well.

Gene Marks:
So, I'm going to start with you, Sarah. First of all, the question I'm going to ask you I think is obvious, which is like we're in a retirement crisis, we all read the news and we kind of know that. I'd love to get your perspective on what exactly that means. How much of a retirement crisis do you feel this country is in? What are the issues?

Sarah Faye Pierce:
Well, I don't want to say it's a burgeoning crisis. I think it's a crisis that really started developing as we were leaving the 20th Century, coming into the 2,000's where you saw this kind of bifurcation of how employers and the private sector handle retirement savings. And years gone by there were very popular Cadillac benefits, like defined benefit plans, which were employer-sponsored fully planned and there was a series of public, very, very public failures of some of those plans and they had to seek government bailouts.

Sarah Faye Pierce:
And that really created a shift into a new structure, which is this whole notion that we all well know today, which is the defined contribution or the 401(k) plan is a popular example of that. And it really shifted the burden from an employer-supported retirement savings that's guaranteed into the responsibility of the employees to contribute their own money. And in some cases, employers would match a certain percentage of that money but it really shifted that burden.

Sarah Faye Pierce:
And I think we're seeing that play out if we just look at the statistics from the private sector. For example, 49% of private sector workers are not contributing to either a defined benefit or a defined contribution plan. And I would say, that's a crisis report situation, if you think about what's to come in our future as those workers contemplate retirement.

Gene Marks:
Michael, you see the same thing among your clients? I mean, you're advising them on HR and do you run into a lot? Particularly, I guess, your smaller clients that are still not set up for a 401(k) or are not contributing or even matching their employees' contributions?

Michael Majors:
Yeah. I mean, what we found through surveys and other research is about 75% of small business owners would like to offer a retirement option for their employees. But there's really two reasons that they don't, in their mind. The first one is cost. They're very cost sensitive, especially with the inflationary environment that we've seen today.

Michael Majors:
And the other is just complexity. It sounds complicated, they really don't have full-time HR professionals that have time to sit there and be the one to manage it for the company. So, those two things kind of scare them off and ultimately leads to only one fourth of the small businesses that offer a retirement plan, as it exists today. Which I think is why we're seeing this legislation, like Sarah talked about. We need to find a way to widen that and to get more small businesses and their employees' access to this benefit.

Gene Marks:
I have to just jump in here and just say and this is from me personally. It's crazy to me when I meet clients that don't have a 401(k) plan, particularly now with the SECURE Act from 2019 and SECURE 2.0, which we're going to dig into. There's really no excuse right now for not having one. And I can't tell you how often I meet clients that even if they have a 401(k) plan, they're not matching contributions, they're not promoting it to their employees, they're not telling them the benefits of enrollment and then people don't save enough for retirement. And then when people get to a certain age and they want to retire, they find they can't.

Gene Marks:
And in many cases, it's my clients who are bearing the burden. They're keeping on these employees into more of an advanced age because they know they haven't put away enough money for it. I see that frequently. And I also see a lot of my clients that don't get the fact that the more their employees put away in their plans, the more they can put away for retirement, as well. So our job, all of us, is to create this awareness and spread that awareness so that businesses understand that there's a lot of help to get this set up.

Gene Marks:
So, Michael, we'll go back to 2019. The SECURE Act of 2019 passed, it was at the end of the year. It was December of 2019 and then COVID hit in March. So, it just got overshadowed. I mean, not a lot of people knew some of the big benefits of it and a lot of the things in that SECURE Act of 2019 are still effective today and effective and upgraded today by SECURE 2.0. But let's start with 2019. What are some of the big takeaways from the SECURE? What do you want our listeners and viewers to know from the SECURE Act of 2019 that's in existence right now before we even get into the next phase, the SECURE 2.0?

Michael Majors:
Yeah. Well, I remember the SECURE Act of 2019 really well because that was such a bipartisan piece of legislation. And then it literally passed at the last minute, very similar to what we saw happen the other day. And all of a sudden my Christmas holiday was ruined because we started getting together every day right after Christmas and diving into the legislation and figuring out what could Paychex do to get more businesses and their employees access using this vehicle.

Michael Majors:
And out of that came two really big provisions that, I think, set the foundation for even SECURE 2.0 and made some progress towards addressing those two big concerns that business owners have. It helped with tax credits, partially funding or partially reimbursing the businesses to get a plan set up. So, it made progress in that area. And then it also allowed for this other vehicle called the Pooled Employer Plan. And Paychex was one of the first companies that I think it really saw that that had huge potential to simplify, take away the complexity, and reduce the risk and fiduciary responsibility for the business owner.

Michael Majors:
So, we were one of the first providers to come out with a Pooled Employer Plan. So that, and the tax credits have had an enduring legacy on how many businesses are starting plans because we have seen, outside that initial COVID challenge that you kind of talked about that happened, once we moved past that, a large uptick in businesses starting plans just from the first SECURE Act.

Gene Marks:
I found it ... Yeah. Go ahead, Sarah.

Sarah Faye Pierce:
Can I just jump in there, Gene, and just kind of extol some of the virtues of the success of really what Michael's articulating? The PEP, Pooled Employer Plan, was so incredibly popular and we saw our clients come out of the gate immediately. And we had over 14,000 of our clients join the PEP which changed the retirement savings game for 90,000 workers immediately.

Sarah Faye Pierce:
And certainly we have grown considerably through that arrangement. And one of the things that I believe made our messages to Capitol Hill so successful with SECURE 2.0 is that we brought that report card to the drafters of 1.0 and really encouraged them and showed the evidence that they are changing the game of retirement security for employees who work for small businesses but also for those business owners themselves.

Gene Marks:
Sarah, are you comfortable in just explaining ... It could be 30,000 foot overview of what a Pooled Employer Plan means? Why it's been so popular to your clients, to your customers?

Sarah Faye Pierce:
Well, Michael hit on it and he might also want to want to jump in here, as well. But the Pooled Employer Plan shifts fiduciary responsibility from the employer over into the plan. And so we become the fiduciary for administering that retirement savings plan. So essentially it's shedding liability for employers and that is cost and administrative complexity are the top two reasons that small businesses do not offer plans to their employees. And so we saw an incredible uptake from those smallest of small businesses, five employees or less, jumping into this plan. And it's been incredible. And in 2.0 there are some supporting and sustaining policies that will even help the PEP further.

Gene Marks:
That's a great explanation. Michael, anything to add to that?

Michael Majors:
Yeah. I would just add to Sarah's comments. It's been incredibly popular. So, when we sit down in front of a business owner and say, "Hey, here's a single employer plan. Here's the pluses and minuses. Here's our Pooled Employer Plan. Here's what the pluses and minuses of that." 66% of the businesses are choosing to go on the Pooled Employer Plan rather than to start a single employer plan that they're the plan administrator and the fiduciary for. So, it's been a game changer to allow them to use Paychex as the pool plan provider and take on those responsibilities and legal fiduciary responsibility.

Gene Marks:
Great. So guys, for those of you guys that are watching and listening, we've done a few podcasts on Pooled Employer Plans and there is some good written articles about it on paychex.com. So you could certainly get more details about it there. My only takeaway is, again, if you're unaware of a PEP, a Pooled Employer Plan, or you've thought about it, strongly recommend that you look into it. I have many dozens of clients that have moved towards Pooled Employer Plans because of that reduced fiduciary responsibilities that Sarah mentioned.

Gene Marks:
There's reduced administrative costs, as well. And if done the right way, it can provide the same type of retirement benefits that you were getting before or virtually the same but really, really at a much lower cost. So, those are the big takeaways in 2019, right, Michael? For the 2019 SECURE Act, we had tax credits to make it easier for people to start up 401(k) plans, and then there was the Pooled Employer Plan, as well. There are other parts of the 2019 SECURE Act but those are sort of the two big takeaways.

Gene Marks:
Now we get into SECURE 2.0. So, Sarah, the SECURE 2.0 passed at the very end of 2022. It wasn't even a standalone bill, it was part of the omnibus spending bill. It got kind of rolled into that and for a while, there was a Senate bill and then there was a bill in the House, two separate bills that kind of mirrored each other but they said different whatever, each.

Gene Marks:
I guess, you know what I want to do before I turn it over to Michael and we start talking about the particulars. Only because, Sarah, you're on the Hill and you're doing this. Go ahead and give a shout out to some of the representatives that you think were in ... We talked about this being bipartisan, right? They're both Democrats and Republicans that really pushed for this thing. And I'm kind of curious, just a little background as to how this ultimately became actual legislation.

Sarah Faye Pierce:
Sure. Well, I'll shout it out and I'll probably use a little inside baseball here and then I'll decipher after the fact. But, anytime you can get full bipartisan agreement in Washington I think people will flock to that table. And in this case, we had what we called four corners or eight corners, if you will, in terms of agreement on the policy to advance 2.0. And when we say that, it's two committees in the Senate and two committees in the House had primary jurisdiction or their responsibility was to work out the details of the final SECURE 2.0.

Sarah Faye Pierce:
So major leaders in this area, chairman, or excuse me, ranking member Kevin Brady from Texas who is now retired as well as Senator Rob Portman from Ohio, who likewise has retired, were the two really significant drivers and particularly ranking member Brady because of his strong leadership for small businesses in the legislation. But certainly you had Senator Crapo and Senator Wyden from Finance Committee, as well, who were really, really leaders and distinguished themselves in this debate.

Sarah Faye Pierce:
And certainly, one of the things that I think delights people like myself in this work is that as we were talking to the committee staff ... And the committee staff, you could tell just had such a rich respect for one another and you could also tell that they were friends and they liked each other, which I think also creates such a great environment to create good policy. And like you said, there were a number of different bills and they had a very big job to work out and reconcile. I believe there were about 80-plus different provisions and there were only, I mean, 20 or 30 that appeared in all three different versions of the bill. And so they had a big job to do and they certainly got it to the finish line with the omnibus bill.

Gene Marks:
Yeah. I appreciate you calling out some of those people. And I have to say, because I write for The Hill and I write for the Washington Times and I do speak to a number of senators and congressmen as part of the stuff that I do, the Small Business Entrepreneurship Committee in the Senate and then, of course,

the House Small Business Committee, it's one of the few bright lights in Washington of bipartisanship. Everybody has that support for small business. And it makes your job easier because it's so much less confrontational. You're advocating for something that both sides of the table also --

Sarah Faye Pierce:
Right, absolutely.

Gene Marks:
It's definitely helpful. Okay, so the bill actually came, finally we got it in there. There was questions as to whether or not these parts are going to be and you are right, there are certain things that didn't make it into the bill that I was kind of hoping to see but nothing that significant was lost. So, Michael, let me turn to you. Let's get into some of the highlights of this bill. The first thing is about easing costs of entry. So, let's talk about that and feel free to dig into the details.

Michael Majors:
Yeah. Well, building off of what we found in SECURE 1.0, the tax credits were enhanced. So, we knew we made some good progress with the original bill but there were still businesses that are like, "Hey, I don't know that I can afford this." So now the tax credits not only cover a maximum of 50% but they can cover up to a hundred percent of the costs for the first three years for the business.

Michael Majors:
That is really a game changer because you could literally say in many cases that the government is going to fully subsidize letting you have a plan for you and your employees for the next three years. And it kind of takes that part of the conversation about, "I'm not sure if I have the cash flow to have this," off the table for the business owner. So, that was probably one of the biggest parts of the legislation. But then it did something new that the original SECURE Act didn't even address at all.

Michael Majors:
And with about half of our clients choosing to do some kind of a match for their employees, it allows them to get a subsidy in the form of a tax credit for those matches so that they can get up to $1,000 an employee for the first year and then over a period of five years it slowly declines to help them afford that match. So, two really big pieces of the legislation that we're excited to talk to clients about as we're having conversations about them starting a retirement plan because we think that those two will be game changers.

Gene Marks:
I mean, first of all, Sarah, do you have anything to add there?

Sarah Faye Pierce:
No. I mean, I think a couple other things that we were watching that we thought will be added benefit, I think, from a business competitive perspective were the auto enrollment provisions as well as the student loan matching option. And again, critical for those younger workers, get them in the system, get them saving, help them by offsetting that student loan payment that they have.

Gene Marks:
Good, good. We're going to definitely get to them and because you're absolutely right. And, Michael, just to sort of reemphasize some of the two things you said. Again, this coming from me, in perspective. Number one is there's no excuse now not to start up a 401(k) plan. If you're using cost as an excuse, it's not an excuse anymore, you will get a tax credit for that. And I can also say to you, although I haven't looked at these details but I was told by another CPA friend of mine.

Gene Marks:
I'm also a CPA, so this is coming from me, not necessarily Paychex but this applies to all businesses, not just for profits but nonprofits as well. So even if you have a nonprofit organization, people are like, "Well, how can I get a tax credit if I have a nonprofit?" But generally these tax credits go towards your payroll taxes, so you can still take advantage of it there. So, I want to be clear that whatever organization you're running there are going to be tax credits available for you to start up your 401(k), that's number one.

Gene Marks:
And number two is, I mean, geez, I missed it the first go around, the contribution. Literally you're going to get a credit for matching your employees 401(k) contribution is amazing. And the idea there is that, okay, so if you do a match, then again, as you match, you can also contribute more to your 401(k) plan. But you also are getting in the groove of making that match. And the government knows it's HR because you guys know being in the HR space that once you start a benefit, very, very tough to stop it.

Gene Marks:
So, if you start matching and the government gives you a credit for that and you can do that for up to five years and get some type of a credit, I think the government is kind of betting on once you start that you can't go back to your employees and say, "I'm not going to match any longer." I mean, you can, but it makes it harder for you to do. And I kind of like that. It pushes us into doing what we know is right, which is helping our-- and it's a very valuable benefit to provide. So, those are two big, big things to ease the cost of entry into starting up a 401(k) plan. Michael, let me turn back to you. So the next area...

Michael Majors:
And Gene, I want to add one other thing on the auto enrollment piece that Sarah said.

Gene Marks:
Yes.

Michael Majors:
That is so important. I know it gets overlooked a lot of times but just having a plan for a business is a great first step. But if we can't get those employees to enroll in the plan, we haven't really served the purpose of making sure that everybody starts to save for their own retirement in this post pension era that we're all living in.

Michael Majors:
And so, having that auto enrollment requirement for plans will make a huge difference because just like you said, once a business puts a benefit in place, it's really hard to pull it back. Hey, once you get auto enrolled in a plan and you start doing deductions, you're much less likely to ever stop doing that, as well. So it'll just get a lot more individuals saving into the system too. So, we're very bullish on the impact of that for society.

Gene Marks:
Now I got to imagine, Sarah, the auto enrollment part, it's kind of controversial if you're a business owner, you really don't want to be in that stage. But at the same time it does take the onus off the business owner. You can be like, "Hey listen, this isn't me telling you, you have to enroll. This is the government now is requiring it."

Sarah Faye Pierce:
Yeah. You said controversial, and I said, "Yeah, it was pretty controversial on the Hill because they were trying to work out the final bill." Who would've thought auto enrollment because it's a mandate really kind of cut across party lines. And so that's a big victory for us coming out of 2.0 just to hearken back to the

legislation for a minute. But yeah, I mean, I think that again, it's going back to that administrative burden issue that businesses shirk away from.

Sarah Faye Pierce:
But the reality is, the more that we can improve these plans, the more that we can improve their functionality and then the uptake for the employees, the better off everyone is going to be across the board. And we also know 71% of small business owners feel personal responsibility to offer retirement savings options to their employees but they don't because of some of these issues. And so to have Legislation that so clearly delineates solutions that make it easy for small business to engage is -- we're in the sweet spot.

Gene Marks:
Yeah, there really is. And I also want to be clear about when this auto enrollment, it is a mandate but at the same time, your employees can opt out. So even if you enroll them and if somebody has a big issue, they can back out. And then, Michael, there are some exceptions to this auto enrollment rule, as well. Are you comfortable talking about what some of those exceptions are?

Michael Majors:
Yeah. I mean, for the smallest of businesses, they did allow businesses under 10 employees to make that optional when they set up the plan if they're going to do it or not or if it's a new business. So a business that's been in business less than three years. So, those are two key areas that we'll be able to opt out. It also extends, I believe, to churches and government plans that they can also choose not to have auto enrollment.

Gene Marks:
And when we talk about auto enrollment, it starts at 3%, correct? That's the contribution that needs to be made. And then it's going to escalate over a period of years annually up to at least 10% but not more than 15%. So it's an issue. I know, particularly, I have some clients that their workforces are immigrant workforces. I have one clients, got a lot of people from a Latino Hispanic community, they don't like to participate in his business with their health plans or 401(k) plans.

Gene Marks:
They'd rather just take the money in cash and they're all family members and all that. So I can say, I'm just envisioning right now that he's going to have to have a conversation with them. Any new employees that come, that they refer in, they're going to be automatically enrolled. And I just think it's a good thing. And I think people will learn that putting money away for retirement will benefit them going forward.

Gene Marks:
So the auto enrollment thing is really good and that's going to be effective starting January 1st, 2025. So we still have all of 2023 and 2024 to prepare for that. So let's get to the next phase. So just as a recap, guys, we talked about easing the cost of entry, which means basically reimbursing us for any cost that we have for starting up a plan and also reimbursing us to tax credits of making matching contributions. Then there's expanding the access, which basically means auto enrollment. Part-timers, by the way, Michael, also can now participate, right? Can you talk a little bit about that?

Michael Majors:
Yeah. So instead of the three-year requirements for part-timers of having to work there, it's now been reduced to two years for part-timers before they can be eligible to participate. So, just getting, again, more people into the system because we do know in this workforce today and the environment, there are a lot of part-time employees. And this will make sure that they're not excluded from being able to get into the system, too.

Gene Marks:
Got it. And also I want to be clear to everybody listening or watching that if you have a part-timer and if they don't stay with your company or move on somewhere else, I mean, their retirement funds are their retirement funds, so they can be moved to somewhere else. It's not like they're going to lose it. So it's just another good benefit to provide. Multi-generational workplace, SECURE 2.0 addresses some of those concerns. Michael, do you want to talk about it? We're talking about older and younger employees that are paying down their student loans.

Michael Majors:
Yeah. So I think this is also a really neat part of the legislation. So there's some big headline things we've talked about but there's a lot of different generations that are in the workforce today, Gen Z, Gen Y, we have Millennial, Baby Boomer, we all know this.

Gene Marks:
Gen X.

Michael Majors:
And the Legislation tried help pretty much all of these different groups.

Gene Marks:
I just want to get mentioned.

Michael Majors:
I see you raising your hand. I won't tell you which generation I'm a part of. But one of the big things we're hearing about in the news a lot and is controversial and I'm sure up on the Hill, too, a little bit is about student loans. And a lot of people that are fresh out of college, one of the reasons they don't participate in 401(k) plans is they feel they don't have the cash flow because they're paying off their student loans.

Michael Majors:
But the one thing they're missing from doing that, is if an employer offers a match and is willing to pay for a match if they participate in the plan, if they don't put any money in, they're really sacrificing that match and some of their retirement funds. So this legislation opened up the door to say, "Hey, if your employee is making student loan payments, you can actually match against that just as if they were contributing to the plan."

Michael Majors:
I think that's a huge provision and I'm excited about it because then hopefully they'll get some funds saved up for retirement and when they're done with those student loan payments, they'll be able to jump into the 401(k) plan because they'll already have balances that they've accrued from what their employers put in. So, that's a big one. And then we have a lot of people nearing retirement, kind of like you were suggesting. And so catch-up contributions have been an important thing since, I think, around 2005, 2006 when that was originally introduced as something that you could do inside a 401(k) plan, and SECURE 2 expanded that.

Michael Majors:
So, when you get to age 60, you're able to put $10,000 into the plan on top of the annual contribution limits, which will help accelerate people who are closer to retirement and maybe need to put in more than they would have in years past to get to their goal so that they can retire. Excited about that. We also have the ability to have an emergency savings option inside the 401(k). Some folks don't want to put their money in the 401(k) because they're afraid, "Hey, if I do, what if I need it?" for somebody that doesn't have a lot of savings outside whatever's in their 401(k).

Michael Majors:
So, it kind of helps to eliminate that fear for some participants and should help accelerate more people getting into the system because they don't have to worry that if they do have a true emergency, they will be able to have access to funds or an emergency savings vehicle. And then for lower income workers, there's an enhanced savers match credit that's going to help them personally if they do put some of their own funds into the plan. So, these really attack different parts of the generation and society but they're important elements of SECURE 2.0 that will help specific groups.

Gene Marks:
So, a few things I wanted to add to what you said, Michael. The student loan match, again, if you have a younger or anybody that's paying down their student loans and now you're allowed to match that into their 401(k), it's a pre-tax match so they will not get taxed on it and the employer can get a deduction for it. So that's super helpful. And the catch-up thing is great. You can start when you get over the age of 50, I think it's like 7,500 bucks you can contribute a year and then once you get the age of 60 it goes up to $10,000.

Gene Marks:
So it's a really great way for older employees to really kind of put some money away. The other thing is that there was ... I don't think I have it in my notes here. But yeah, there was the ability, and again, stop me, Michael, if this is something that goes off scope here but, employers now will have the ability to contribute into Roth accounts as well, after tax savings accounts, correct? Are you familiar with that?

Michael Majors:
Yeah. That's right. So, allowing Roth contributions is something that the plan sponsor has to amend in their plan if they would like to be able to offer that. But all the different plans that we have, that's an option. So, first of all, the plan sponsor, the person running the plan has to choose that option. But if they have it available, with this enhanced catch-up contribution, they can put those funds in as Roth dollars, which as they near retirement, should be an advantage, too. So that was an exciting provision also -- just to clarify on that piece. And the catch-up contribution's really important. I will admit, I know personally the catch-up contributions are helpful and I don't yet qualify for the new enhanced piece but I do believe that that's going to be huge for-

Gene Marks:
Someday. It's coming up soon. It's coming up soon. Sarah, you're going to add something?

Michael Majors:
Less than 10 years, that's awesome.

Gene Marks:
Okay, fair.

Sarah Faye Pierce:
Yeah. I was just going to add with the catch-up, the Roth versus non-Roth really was a cost mechanism in terms of the ultimate bill negotiations and so they had to hit an income threshold there of $100,000 in terms of whether or not you can do pre- or post-tax for your contributions. So, just to add that there for the audience as they're being aware of some of these provisions.

Gene Marks:
Meaning that you would be allowed to contribute to the Roth. You have to be at a certain income level to be allowed to take advantage of that. Is that correct?

Sarah Faye Pierce:
Yeah. And it was really because of the price tag ultimately of the bill.

Gene Marks:
Got it. And for those of you listening or watching just to make sure, and I don't mean to insult anybody's intelligence, but the Roth retirement accounts are after-tax contributions, so you make a contribution to it after you've paid your taxes but once that's there it grows tax-free. And the real cool thing about Roth's is that it can grow and grow and grow tax free and then when you pull it out, you don't have to pay any taxes on it.

Gene Marks:
So, it potentially can be a really great thing if your investments or market's going up. So that's real good. One final thing that we'll mention before I do a recap on this and we'll talk about the future, the required minimum distribution age, Michael, has been increased and then it's going to increase again. Can you speak a little bit about that?

Michael Majors:
Yeah. Ultimately, it's going to now be increased up to 75 I think in 2033. But what's happened to just kind of explain that, there's a lot of workers or people that have money in their plan that, "I don't really need the money right now. I don't want to take it out." They may still be working, for one thing. So, it's kind of silly for them to have to take those funds out because we do have people working to a much older average age than we did 20 or 30 years ago.

Michael Majors:
And the other piece might just be that they don't need those funds or they're doing something with what they're going to do or leave for their heirs. So, this just allows them more flexibility in not being forced to take money out of their plan at a specific age, especially as it gets up into 2033 where it turns into the 75-year-old...

Gene Marks:
Cool.

Michael Majors:
...would be the first time they'd be forced to take money out of their plan.

Gene Marks:
Sarah, I don't mean to throw you this curve ball, I'm just curious if you know or not the ... I forget, I think it was Senator Wyden we interviewed on this podcast about his bill. One of the things that were in one of the bills was about being able to search a database to find your old retirement plans. You're familiar with that?

Sarah Faye Pierce:
Yep. I remember. Yep.

Gene Marks:
Did that get dropped out of this bill or is that part of it?

Sarah Faye Pierce:
No, no. There were two differing provisions with regard to the Safe Harbor and it was really which regulatory body, Treasury or the Department of Labor, should maintain a Safe Harbor database. And ultimately I believe it worked out to reside with DOL because of their charge for enforcement of these plans. And so essentially, they would hold the database and if there's stranded assets, it would be a repository for employees to go and search for any monies that they may have left behind somewhere.

Sarah Faye Pierce:
I think some of our concerns were just in terms of ... We raised, I don't want to say a red flag, but really more of a yellow cautionary flag to make sure that, from an administrative perspective, transferring those assets to a repository should be conducted in a manner that's not burdensome for a small business. And so that was really more just our, don't forget about the fact that there are some folks who can't handle routine administration of transferring assets and whatnot.

Gene Marks:
But this would be applicable, I guess, to somebody who maybe they are a part-timer in three or four different jobs over the course of a decade or whatever. And now with SECURE 2.0 people can contribute to a 401(k) and then, I don't know, 10 years after that they're like, "I forget, did I put money away? I forget if I have money saved for retirement here or there or whatever." It happens. Friends of mine, sometimes they'll get a notice in the mail saying, "By the way, you have $10,000 in a retirement account from when you were 25 years old."

Gene Marks:
Guys, a lot has happened and there's a lot to know. And I also want to say for our audience that are listening, all the things that we're talking about, they're coming into effect over the next few years. As far away as 10 years from now when it comes to the required minimum distribution age going up to 75. But I'm not going to go through it. What I do recommend that you do strongly is, if you're a Paychex customer, you should be talking to your representative at Paychex and asking for them to go through with you what some of these provisions are, making a plan.

Gene Marks:
Because these are benefits that you want to provide. You're going to get assistance in providing them in some case from the government and your competitors are going to be providing them, bigger companies are providing them, as well, and you want to be competitive. These are the kind of things that you should be taking advantage of as SECURE 2.0. Let alone the fact that putting this money away will benefit your employees and yourself. So talk to your Paychex rep.

Gene Marks:
If you're not a Paychex customer, and shame on you, talk to whoever is representing your payroll or your attorney or your CPA. But you need to get advice, there's a lot of stuff packed into this legislation. Sarah, with all the conversations that's going on about this and all the good things, of course, being Americans and being humans, there are people that oppose certain things or are debating certain things. Some people say that the SECURE Act is just another benefit to Wall Street and investment banks because it's encouraging all of us to give them our money to save. So, you're in the middle of this whole lobbying fight. What were your thoughts on that? Do you agree with that point of view?

Sarah Faye Pierce:
Well, the point of view that I agree with is that we have to find solutions for small businesses and we need solutions for small businesses to be competitive in the market and not just amongst other small businesses. But they need to attract and retain the best and the brightest and having benefits of this nature is how they do that. And then this next piece of that is keeping them in their chairs. And we know from our outreach and our examinations of the market that those are top issues facing all businesses but particularly acute to small businesses.

Sarah Faye Pierce:
So, I mean again, I cited some statistics but I mean if you have half your private sector workforce not contributing and you've got one in 12 Americans saying, "I just don't even expect that I'm going to retire," there's a problem here. And we need to all come to the table and continue to develop and build responsible solutions that can assure that people are able to have a dignified retirement, however that is that they choose to carry that out. And so the banks and Wall Street aside, I don't speak for them, but what I'm here to do is do my very best for small businesses.

Gene Marks:
Fair enough, fair enough. How about you, Michael? Do you think that there's anything that's part of this bill that was controversial or anything that you don't support or do you feel that there's more to be done?

Michael Majors:
As we look back at SECURE 1.0, it was a great bill but we knew there was more to get done. SECURE 2.0 filled a lot of those holes that were left after the first bill, so we're confident that there are going to be more bipartisan legislation that can help us move forward, potentially a SECURE 3.0 in the future.

Michael Majors:
But there's nothing, I think, from our perspective that we were unhappy with in this bill because everything we look at really just helps more businesses start a plan, makes it easier for businesses, and gives more options for employees to participate. So, it really is hitting the trifecta for us of helping more people get into the system and have a chance at a dignified, secure retirement.

Gene Marks:
That's great. Sarah, so as we head into 2023, I'm just kind of curious, what's on your plate that you're going to be lobbying for on behalf of all of us as Paychex customers?

Sarah Faye Pierce:
Oh, well, there's this little notion of IRS modernization that perhaps the audience has heard a bit about in the $80 billion that was granted to the agency as part of the Inflation Reduction Act. So, we are playing a role at the IRS and in providing our views and how we think they should best utilize that funding to bring into line the business and employment side of the House advice the individual side, which is a bit behind the individual side. And so we have some policy recommendations that we are advancing at Treasury and the IRS, as well as on Capitol Hill.

Sarah Faye Pierce:
Some of our ideas will require a statutory change. So, that's what we're going to do. We're also just in this space, a retirement space, we are already getting involved in conversations about what does 3.0 look like and what else is needed because we need to explore and examine any policy that can bring all of those. All are welcome and we need to make sure all know they're welcome and come to that trough and start engaging in the system. And certainly we're exploring a variety of different policy options to do just that. We are the number one plan sponsor provider in the country and so it's almost incumbent on us to do so.

Gene Marks:
Sarah Faye Pierce is the Head of Government Relations at Paychex and Michael Majors is a VP of HR Solutions at Paychex. Both of you, thank you so much for joining me. I really appreciate your insights on SECURE 2.0 and even the 2019 SECURE Act. I am hoping that many of our listeners and audience will take your advice in hand and start 401(k) plans or expand their 401(k) plans -- are an essential benefit to provide. And we now have a lot of tools and encouragement to do just that. So, thank you very much for joining me.

Gene Marks:
Do you have a topic or a guest that you would like to hear on THRIVE? Please let us know. Visit payx.me\thrivetopics and send us your ideas or matters of interest. Also, if your business is looking to simplify your HR, payroll, benefits, or insurance services, see how Paycheck can help. Visit the resource hub at paychex.com\worx. That's W-O-R-X. Paychex can help manage those complexities while you focus on all the ways you want your business to thrive. I'm your host, Gene Marks and thanks for joining us. Till next time, take care.

Speaker 1:
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