Stay Compliant with New 401(k) Laws Checklist

On January 1, 2025, new laws went into effect that will impact your company's retirement plan. Use this checklist to navigate some of the impacts of this new legislation, and the action required to keep your plan compliant.

	Provision	Impact	Action Required	Effective
Plan Design	**Long-Term Part-Time Employee Plan Eligibility**	Employees who have worked at your company for at least 1,000 hours over the course of one year or at least 500 hours over two consecutive years are eligible to participate in your retirement plan.	This is a mandatory provision, so plan sponsors need to: ☐ Start managing plan consistent with this provision as of the effective date ☐ Work with providers to update plan document	2025
	Student Loan Payments	You have the option to make a retirement plan contribution to match student loan payments.	These are optional provisions, so plan sponsors need to: ☐ Determine whether they want to adopt this new feature prior to the effective date ☐ If adopting, start managing plan consistent with this provision as of the effective date ☐ Work with providers to update plan document	2024
	In-Plan Emergency Savings Accounts (PLESA)	You can offer non-highly compensated employees the opportunity to contribute to a Plan-Linked Emergency Savings Account (PLESA).		
Distributions	**Roth RMDs**	Minimum distributions are no longer required for Roth 401(k) and 403(b) plans.	This is a mandatory provision, so plan sponsors need to: ☐ Start managing plan consistent with this provision as of the effective date ☐ Work with providers to update plan document	2024
	Required Minimum Distribution (RMD) Age Increase	The age at which terminated employees and 5%+ owners must start taking RMDs is now 73; and will increase to age 75 in 2033.		
	RMD Failure Penalty Decrease	The penalty for failure to take RMDs is reduced from 50% to 25% (reduced further to 10% if corrected in a timely manner).		
	Self-Certified Financial Hardships	In some circumstances employees can self-certify their hardship distribution.	These are optional provisions, so plan sponsors need to: ☐ Determine whether they want to adopt this new feature prior to the effective date ☐ If adopting, start managing plan consistent with this provision as of the effective date ☐ Work with providers to update plan document	2024
	New Exclusions to the 10% Early Withdrawal Penalty for Distributions	Qualified federally declared disaster: Up to $22k in distributions can be taxed as gross income over 3 years without 10% penalty.		
		Qualified births or adoptions: The re-contribution period now must take place within 3 years of the distribution.		
		Terminal illness: No 10% penalty if the distribution is to a terminally ill person.		
	Withdrawals For Emergency Expenses	Participants who need to pay for emergency expenses are exempt from the usual 10% penalty.		
	Force-Out Limit Increase	You can now transfer accounts of former employees with up to $7,000 in assets to an IRA without consent, up from $5,000.		
	Eligible Distributions for Domestic Violence Victims	Victims of domestic abuse can self-certify their status and request a distribution without penalty for up to the lesser of $10,000 or 50% of the account value.		

Many of these changes will need immediate attention, while others will require long-term planning. If your plan advisor isn't helping you navigate these changes, you may be at risk.

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Contributions	**Super Catch-Up Contribution**	Participants between the ages of 60 and 63 during the calendar year can make higher catch-up contributions. The limit is $11,250 ($5,250 for SIMPLE plans) or 150% of the regular limit, whichever is greater.	This is a mandatory provision, so plan sponsors need to: ☐ Start managing plan consistent with this provision as of the effective date ☐ Work with providers to update plan document	2025
Start-Up Plans	**Expanded Automatic Enrollment**	If you start a new 401(k) or 403(b) plan and have 10+ employees, you must include automatic enrollment in your plan.	These are optional provisions, so plan sponsors need to: ☐ Determine whether they want to adopt this new feature prior to effective date ☐ If adopting, start managing plan consistent with this provision as of the effective date ☐ Work with providers to update plan document	2025
	New Start-Up Plans	If you don't currently offer a retirement plan, this gives you the option to offer a starter 401(k) plan, which is a hybrid 401(k)/IRA with an annual contribution limit of $6,000 and required auto-enrollment.		2024
	Starter 401(k) Plans	If you don't currently offer a retirement plan, this gives you the option to offer a starter 401(k) plan, which is a hybrid 401(k)/IRA with an annual contribution limit of $6,000 and required auto-enrollment.		
	Employers Can Replace SIMPLE IRAs with Safe Harbor 401(k) Plans Inter-Year	If you currently have a SIMPLE IRA, this provision allows you to upgrade to a 401(k) anytime during the year, rather than being stuck until the end of the year.		
Plan Administration	**Employer Contributions Can Now be Roth**	You can now offer plan participants the option to receive their employer contribution in their Roth (after tax) account.		
	Ability to Offer Small Financial Incentives	You can now offer a small financial incentive, such as a low-dollar gift card, to encourage employees to enroll in the plan. The incentive can't be drawn from plan assets.		
	Start-Up Plan Tax Credit Increase	If you start a plan, your business may qualify for a tax credit to offset up to 100% of plan costs for the first 3 years.	☐ No Action Required	
Testing and Reporting	**Top-Heavy Rule Modifications**	You can perform your top-heavy test on excludable and non-excludable employees separately.	This is a mandatory provision, so plan sponsors need to: ☐ Start managing plan consistent with this provision as of the effective date ☐ Work with providers to update plan document	2024

As a specialized retirement plan advisor, Fisher\SMB has the expertise to help guide you through the impacts of this legislation, and the actions needed to keep your plan compliant.

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	Provision	Impact	Requirement	Effective
Non-plan amendment provisions	**Retirement Savings Lost and Found**	The DOL and IRS are partnering to create a national online database to help Americans find lost retirement plans.	This is a mandatory provision, so plan sponsors need to: ☐ Start managing plan consistent with this provision as of the effective date ☐ Work with providers to update plan document	2024
	Expansion of EPCRS	The Employee Plans Compliance Resolution System (EPCRS) has expanded to allow more errors to be self-corrected and to exempt some failures from penalty.		
	Permanent Safe Harbor Corrections	Inadvertent payroll errors resulting from automatic enrollment and automatic escalation may be corrected without penalty within 9½ months of plan year-end.		

Provisions Effective 2026+

	Provision	Impact	Requirement	Effective
Contributions	**Roth Catch-Up Contributions for HCEs**	Catch-up contributions for highly compensated employees (HCEs) must be made into a Roth account, age 50 and older.	This is a mandatory provision, so plan sponsors need to: ☐ Start managing plan consistent with this provision as of the effective date ☐ Work with providers to update plan document	2026
Distributions	**Change to Requirements for Health Insurance Premium Payments**	There will be no penalty for using retirement plan withdrawals to make qualifying long-term care insurance premium payments.		2026
Plan Design	**Savers Match Accounts**	Rather than a cash tax refund payment, individuals who are eligible to receive a tax credit for retirement plan contributions will now receive a federal matching contribution to their retirement plan account.		2027

We Can Help

As retirement plan specialists, Fisher\SMB keeps up with changing laws and regulations. Let us help you navigate these changes.

Schedule a consultation