



Secure Choice and SECURE Act?

Yes, it's easy to see how that can cause confusion! Let us clarify. Let's start by pointing out what makes them similar. Both are relatively new laws that are intended to increase retirement savings by encouraging employers to establish retirement saving programs for their employees.

The Secure Choice Program is a State of Illinois law that *mandates* an employer with over five employees, that doesn't currently offer a retirement savings plan, and has been in business for at least two years, automatically enroll their employees into the Secure Choice Program. Employees in Secure Choice are automatically defaulted into the program at 5% of their pay, unless they choose to opt out. The investments available through Secure Choice will be determined by the State of Illinois.

Non-compliance results in a penalty of \$250 per employee the first year the employee is unenrolled and \$500 per employee for the second year and beyond.

For employers that don't want to participate in the Secure Choice Program, The SECURE 2.0 Act offers several tax incentives to small employers to establish a retirement savings program for their employees. The SECURE 2.0 is a federal law that was signed by the President on December 29, 2022. The SECURE 2.0 Act is a meaningful step for the retirement security of all Americans to help improve an individual's ability to save for retirement, expand access to retirement plans, and ease plan administration for employers.

An employer with less than 50 employees can receive tax credits for up to 100% of the cost to start up a retirement plan for the first three years (maximum \$5,000 per year). There is an additional 100% credit of up to \$1,000 per employee for employer contributions made to employees earning less than \$100,000 during the first and second plan year. This credit decreases by 25% each of the following 3 years. Employers that add automatic enrollment to their plan can earn a tax credit of \$500 per year for three years. There are tax credits for plans with 51 to 100 employees, but these tax credits are slightly less generous.

To be clear, if you are an employer in Illinois with five or more employees and have been in business for more than two years, you are required to offer your employees a retirement savings option. If you would like to learn more about what's available, please feel free to contact us by clicking the link below and we can schedule a time to talk.