

SECURE 2.0: Key Points Impacting Annuities – Overview & Actions

SECURE 2.0 was signed into law on December 29, 2022, as part of the broader “Consolidated Appropriations Act, 2023” and contains many provisions with varying dates of enactment, some of which will impact qualified retirement accounts and Individual Retirement Accounts (IRAs).

Corebridge Financial is working diligently to enable the implementation of optional and mandatory provisions that took effect as early as January 1, 2023. Among the 90-plus provisions in the law, provided below are some notable highlights that have the greatest near-term impact, along with Corebridge Financial’s actions for the annuity business.

Required Minimum Distribution (RMD) Age Increase & Reduction in Excise Tax Penalty for missed RMDs

What changed:

The age at which an individual is generally required to begin taking RMDs from their employer-sponsored retirement plan and/or traditional IRA increased from age 72 to 73. The age will be further increased from 73 to 75 beginning January 1, 2033. This means that individuals born on or after January 1, 1951, will now begin taking RMDs at age 73 and those born on or after January 1, 1959, will begin taking RMDs at age 75. Any owner of an individual account who was not subject to an RMD based on age in 2022 will not be subject to an RMD in 2023.

In addition to increasing the RMD age, SECURE 2.0 lowered the Excise Tax penalty for the failure to take an RMD from 50% to 25% beginning January 1, 2023. Under certain circumstances, the penalty can be further lowered to 10% if the RMD is corrected in a timely manner.

Impacts to Corebridge Financial:

When the law was signed in late December, the year-end correspondence was in the process of being printed and mailed, which reflected the RMD age and rules that existed before the law was passed. This means that clients received a year-end correspondence referencing both the previous RMD start age of 72 and the Excise Tax penalty of 50% for the failure to take an RMD.

Until the required updates to the year-end correspondence have been implemented, Corebridge Financial will provide updated messaging on many client touchpoints and revisions to key forms about the new RMD start ages and the lower Excise Tax. This will include messaging on [corebridgefinancial.com](https://www.corebridgefinancial.com), contract statements, hypothetical illustrations and marketing materials.

Corebridge Financial is also implementing an operational process to inform clients who may request an RMD, but are not yet eligible, of the changes in law and the fact they are not yet required to take an RMD until age 73.

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Qualified Longevity Annuity Contract (QLAC)

What changed:

Contribution limits for QLACs:

- No longer limited to 25% of the owner's qualified assets;
- Dollar limitation has increased from \$145,000 to \$200,000; and
- Future contribution limits will be indexed similarly to Social Security.

Impacts to Corebridge Financial:

- Procedures to accept the contribution changes for paper application submissions have been implemented.
- Order entry/electronic application submissions will have the contribution changes implemented soon.
- QLAC election form and supporting materials are in the progress of being updated with the contribution changes.

Roth Option for Simplified Employee Pension (SEP) IRAs

What changed:

Roth contributions can now be accepted into SEP-IRAs. Previously, SEP-IRAs did not allow for Roth contributions.

Impacts to Corebridge Financial:

Corebridge Financial will not be able to accept Roth contributions into contracts issued for SEP-IRAs.

Questions? We're here to help.

If associated with a broker-dealer, please contact the Corebridge Financial Annuity Sales Desk at (888) 502-2900 or your broker-dealer's home office. For IMOs/BGAs, please contact your agency's back office.

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