



ACT OF 2022

A CLOSER LOOK: SMALL BALANCE CASH-OUTS

When Congress passed the SECURE 2.0 Act in 2022, it spanned nearly 400 pages and included 92 provisions. So you don't need to wade through the whole document, we're highlighting key provisions that impact most retirement plans.

SECTION 304, INCREASE IN THE STATUTORY MAXIMUM THRESHOLD FOR SMALL BALANCE CASH-OUTS



What it means: Prior to the effective date for Section 304, plans could force a distribution to a terminated participant whose balance did not exceed \$5,000. Section 304 increases the limit from \$5,000 to \$7,000, effective for distributions made after December 31, 2023.

Plan sponsors may amend their plans to increase the threshold for cashing out small balances to \$7,000, effective for distributions on or after January 1, 2024. Balances under \$7,000 can be transferred to an individual retirement account on behalf of the participant.



Why it happened: Managing accounts with small balances can be an administrative burden. Smaller amounts are sometimes left behind and, as a result, can lead to a greater number of lost and missing participants.

By increasing the small-balance cash-out threshold to \$7,000, plan sponsors can reduce their administrative burden and potential costs associated with maintaining these smaller accounts. They may also avoid difficulties of locating lost or missing small-balance participants.



The impact: All plans that are subject to the mandatory distribution rules may take advantage of the higher limit.



Effective date: Distributions made after December 31, 2023.



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Transamerica targeted support date: Planning support by January 1, 2024. If your Defined Contribution Plan uses the current statutory maximum threshold of \$5,000, we will increase it to the new threshold of \$7,000 as soon as administratively feasible after January 1, 2024. **NO ACTION IS REQUIRED ON YOUR PART.** If you use Transamerica's plan document, your SECURE 2.0 Act of 2022 amendment package will reflect this change. If you use an outside document provider, we recommend you share with them our approach in order for them to accurately prepare the SECURE 2.0 Act of 2022 amendment for you. If your plan uses a lower limit or does not include a small balance cash-out provision, no changes will be made. However, you may amend your plan at any time to prospectively increase the small balance cash-out threshold or add this provision.

Transamerica Can Help

In partnership with Millennium Trust, Transamerica has an Automatic Rollover IRA Solution that can help plan sponsors manage small-balance cash-outs. Please contact your Transamerica representative for more information.

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