A boost to **retirement security**

A key provision of the **SECURE 2.0 Act** requires many retirement plans to **automatically enroll employees** and **escalate their contributions annually,** in an effort to get more employees saving for retirement at an adequate rate.

Congress also provided greater incentives for small businesses with expanded tax credits that may provide a significant benefit for starting a plan.

The power of auto enrollment

Automatic enrollment can have a significant impact on plan participation. In one study, researchers found that adding an automatic enrollment feature:

- **Boosted enrollment** in the plan by 11 times
- **Increased average contribution rates** by nearly 10 times
- **Had the largest impact** on groups that have traditionally fallen behind on retirement saving

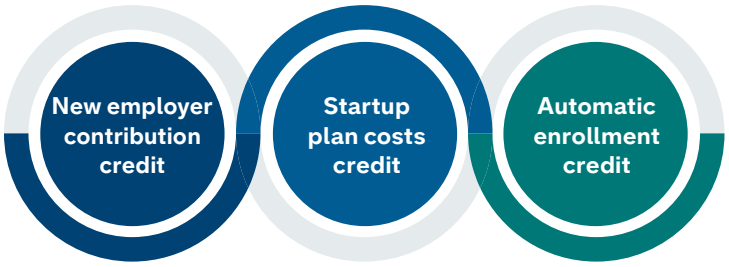
Source: Richard W. Patterson and William L. Skimmyhorn, *How do behavioral approaches to increase savings compare? Evidence from multiple interventions in the U.S. Army,* September 2022.

SECURE 2.0 automatic enrollment requirements

Covered plans	New 401(k) and 403(b) plans established after December 29, 2022. The following exceptions apply: ▪ Businesses with 10 or fewer employees ▪ Businesses that are less than 3 years old ▪ Church and governmental plans, and SIMPLE 401(k)s ▪ SIMPLE or SEP IRAs
Contributions	Unless employees opt out, covered plans must automatically enroll participants in the plan with a beginning salary deferral between 3% and 10%. Deferrals must be increased by 1% each year, up to a maximum of between 10% and 15%.
Investments	If a participant doesn't make an investment election, automatic contributions must be invested in a qualified default investment alternative (QDIA).
Permissible withdrawals	Employees must be able to withdraw automatic contributions and earnings within 30 to 90 days of contributing.

Take advantage of tax credits

Automatic enrollment may increase the number of participants in a plan and potentially increase plan costs. However, small employers starting a new retirement plan can take advantage of several tax credits to help defray those costs.



Learn more about the **SECURE 2.0 tax credits** available for startup plans:

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

We're here to help

Capital Group is committed to helping plans comply with the SECURE 2.0 Act requirements and to helping participants reach their retirement goals.



Simplify administration

Sponsors can take advantage of a number of services to reduce the administrative burden of automatic enrollment and escalation:

- **Automatic tracking** of employee eligibility
- **Notice delivery services** for enrollment invitations and required annual notices
- **Payroll integration** with major payroll providers

Painless payroll

Sponsors may want to work with a payroll provider included in our payroll integration service so the recordkeeping system can receive data, such as hours worked, from the provider.

Additionally, if available for your plan, enabling 360º payroll integration allows auto enrollment and escalation data to pass directly between the recordkeeping system and the payroll provider.



Simplify administration

Capital Group offers automatic enrollment and escalation services at no additional cost in our PlanPremier® and RecordkeeperDirect® solutions.

Plus, enrolled participants have access to a mobile app and tailored educational and engagement resources, all available at no additional cost.



Rely on teamwork

The plan's financial professional and third-party administrator (TPA) are also essential to success. The TPA can help administer auto enrollment and escalation by handling tasks like determining employee eligibility or calculating contributions. And the financial professional can conduct enrollment meetings to educate automatically enrolled participants.



Optimize plan design

Thoughtful plan design can help make automatic escalation easier to administer.

For example, sponsors could consider setting the default contribution rate at 10% to eliminate the need for automatic escalation altogether.

Ready to get started?

Contact us today to add automatic enrollment and escalation to a plan or get more information on our retirement solutions. Visit **capitalgroup.com** or call **(800) 421-9900.**

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