



# SECURE ACT 2.0

## EMERGENCY SAVINGS

	Emergency Withdrawal	Emergency Savings Account	Plan Sponsor Considerations
	Section 115, provides an exception from the 10% early withdrawal penalty for certain distributions used for emergency needs.	Section 127, allows employers to offer a pension-linked emergency savings account (PLESA) to participants in the retirement plan.	Both provisions are effective January 1, 2024, but neither is required. They may be offered together in the same plan.
Who Can Use it?	All eligible participants	Non-highly compensated participants only	Which demographic groups are you trying to solve for?
Maximum Amount Available	\$1,000	\$2,500 (maximum absolute contribution amount)	What amount will satisfy the need of your participants?
Contribution Type	Pre-tax	Roth	Do you currently offer Roth? Will participants understand the different tax implications?
Qualifying Definition	Unforeseeable and immediate financial needs relating to personal or family expenses	None; allows for withdrawals at the discretion of the participant	How much flexibility do you want to offer?
Documentation/Certification Required	Participants can self-certify	None required	How onerous is it for participants to gain access to the funds?
Distribution Frequency	Once per year if repaid*; otherwise, every three years	At least monthly	How often do your participants need access to the money? How much access do you want to provide?
Tax Implications	Taxable if not repaid within three years; 10% withholding applies at distribution	Not taxable at distribution; withholding does not apply	Will participants understand the different tax implications?
10% Early Withdrawal Penalty?	No	No	-
Can It Be Repaid to the Plan?	Yes	No	How will this affect plan leakage?
Investment Vehicle Used	N/A	Principal preservation fund with specific definition	What options are available?
Can the Employer Reduce the Maximum Dollar Amount?	Yes	Yes	Is there a reason to reduce the maximum dollar amount?
Do Recordkeeper Transaction Fees Apply?	To be determined (TBD)	TBD, but the first four withdrawals must be allowed without additional charges or fees to the participant	If applicable, are the transaction fees reasonable?

\*Withdrawal can be repaid through elective deferrals or after-tax contributions that equal or exceed the distribution amount.