



TEXAS

“Texas’ economy continued to expand in December. Payroll gains were broad based, and the unemployment rate dipped.

Growth in the Texas Business-Cycle Index cooled but remained above the 2000–22 average.

Headline indexes in the December Texas Business Outlook Surveys (TBOS) indicated an increase in manufacturing but **flat activity in the service sector.**

Oil prices rose in mid-January.

Construction contract values fell for the third straight month in November.” – Jan 2023 – Texas Economic Indicators – Dallas Fed

AUSTIN

“In November, Austin’s economy continued to grow as employment increased and the unemployment rate fell. At the same time, **Austin’s housing market continued to cool** down due to rising mortgage rates that caused both housing sales and median prices to decline.” – Jan 2023 – Austin Economic Indicators – Dallas Fed

UNITED STATES

“Consumer spending data for October and November suggest consumption growth picked up in Q4. Real disposable income increased in October and November but was still down over the year. **Manufacturing activity stalled.** Housing starts continued to fall.

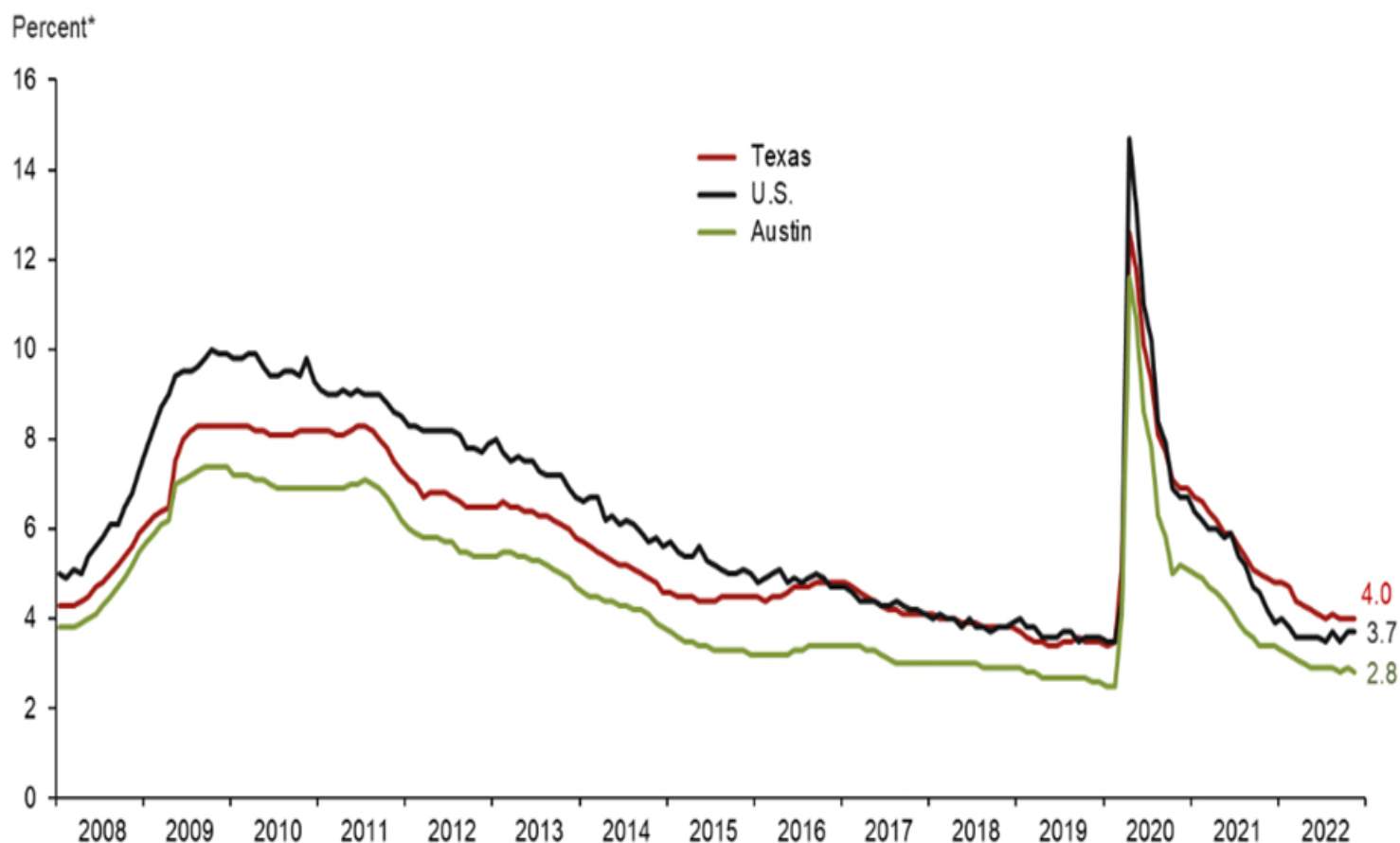
Payroll growth slowed to a still solid rate. The unemployment rate fell to a low level. The increase in earnings, measured over the year, continued its slow decline that started in March 2022.

Core PCE inflation over the year eased in November and CPI data suggest another move lower in December. **Prices for used motor vehicles have fallen in recent months,** but were still high relative to pre-pandemic levels. Food inflation has come down from the rapid rates registered in the first half of 2022.” – Jan 2023 – U.S. Economy in a Snapshot – NY Fed

JOBS – UNEMPLOYMENT RATES – AUSTIN MSA, TEXAS, U.S.

“Austin’s unemployment rate fell to 2.8 percent in November. This was lower than the state’s jobless rate of 4.0 percent and the nation’s 3.7 percent rate. The metro area labor force increased at an annualized pace of 5.0 percent in November.” – Jan 2023 – Austin Economic Indicators – Dallas Fed

Unemployment rate



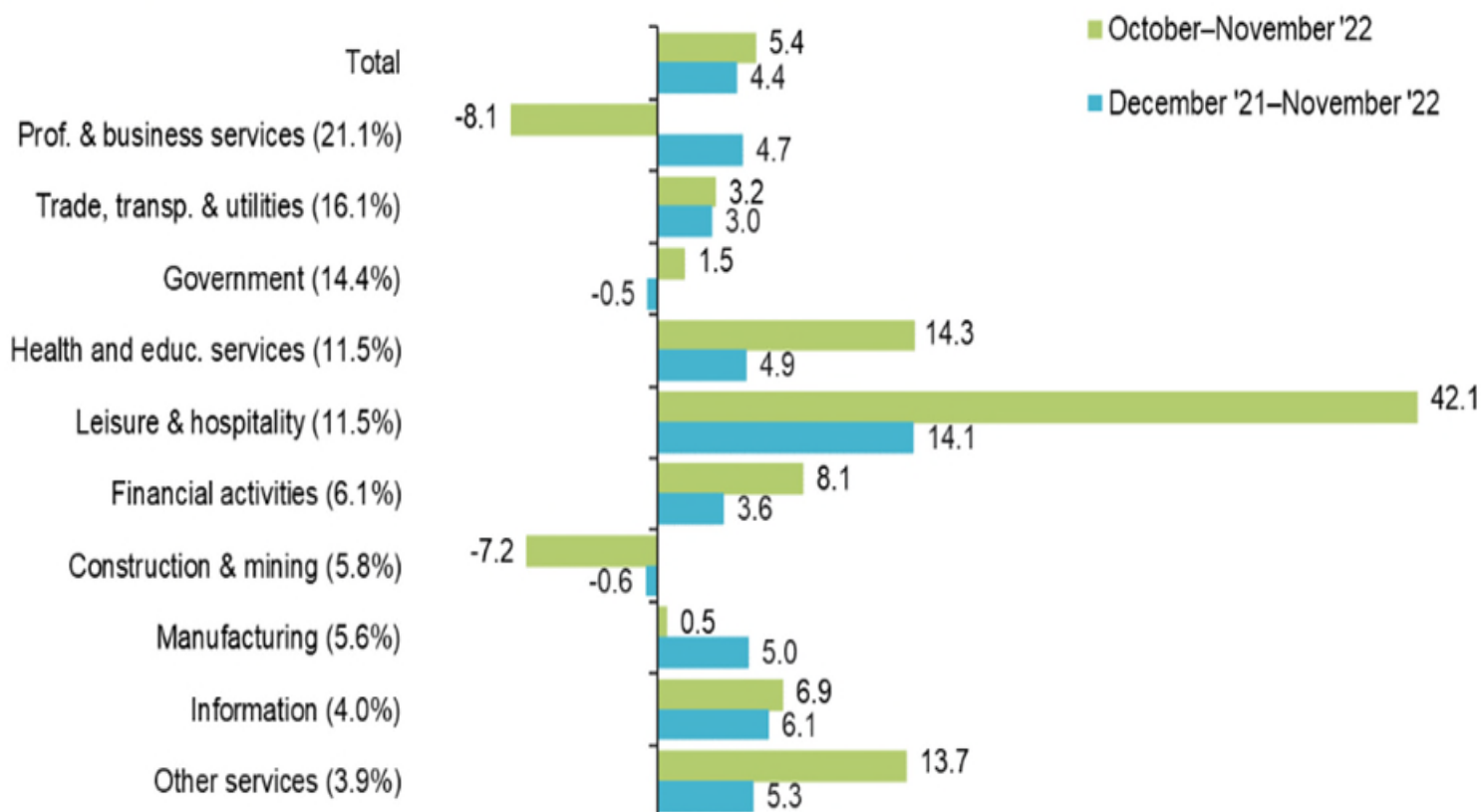
*Seasonally adjusted
SOURCE: Bureau of Labor Statistics.

Provided by Federal Reserve of Dallas – Austin Economic Indicators – Jan 2023

JOBS – EMPLOYMENT GROWTH – AUSTIN

“Austin employment grew by an annualized 5.4 percent, or by 40,854 net jobs in November. Growth was led by leisure and hospitality (42.1 percent, or 4,229 jobs), and health and education services (14.3 percent, or 1,605 jobs). Two sectors experienced declines in the past month: professional and business services (8.1 percent, or 1,889 jobs), and construction (7.2 percent, or 461 jobs). As of November, Austin payrolls grew 5.1 percent year over year.” – Jan 2023 – Austin Economic Indicators – Dallas Fed

Employment growth



NOTE: Data show seasonally adjusted and annualized percentage employment growth by industry. Numbers in parentheses represent the share of total employment and may not sum to 100 due to rounding.

SOURCE: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

Provided by Federal Reserve of Dallas – Austin Economic Indicators – Jan 2023

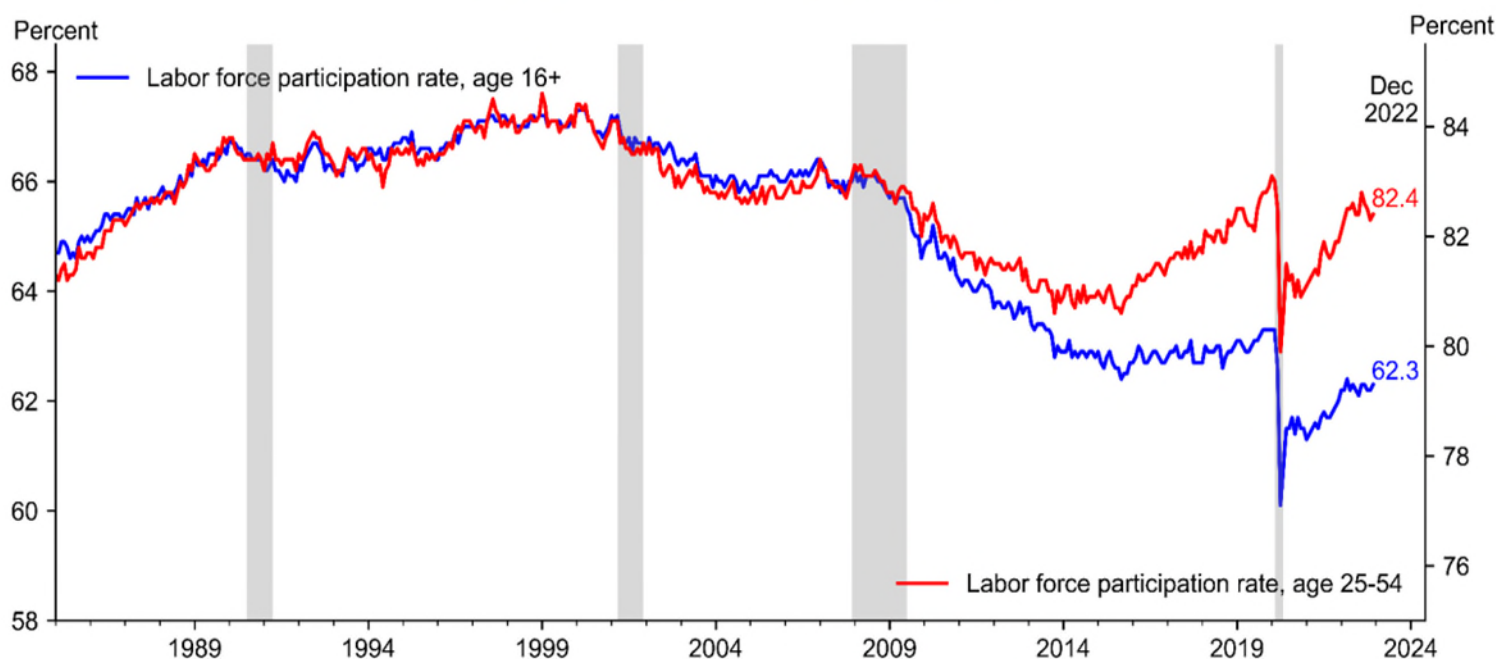
JOBS – LABOR PARTICIPATION RATE IN THE U.S.

“The employment-population ratio increased by 0.2 percentage point over the month to 60.1 percent. **The labor force participation rate was little changed at 62.3 percent.** Both measures have shown little net change since early 2022. These measures are each 1.0 percentage point below their values in February 2020, prior to the coronavirus (COVID-19) pandemic.

The number of persons employed part time for economic reasons, at 3.9 million, changed little in December. These individuals, who would have preferred full-time employment, were working part time because their hours had been reduced or they were unable to find full-time jobs.

The number of persons not in the labor force who currently want a job fell by 352,000 to 5.2 million in December and is little different from its February 2020 level of 5.1 million. These individuals were not counted as unemployed because they were not actively looking for work during the 4 weeks preceding the survey or were unavailable to take a job.” – Jan 2023 – The Employment Situation – Bureau of Labor Statistics

Labor Force Participation



SOURCES: Bureau of Labor Statistics.

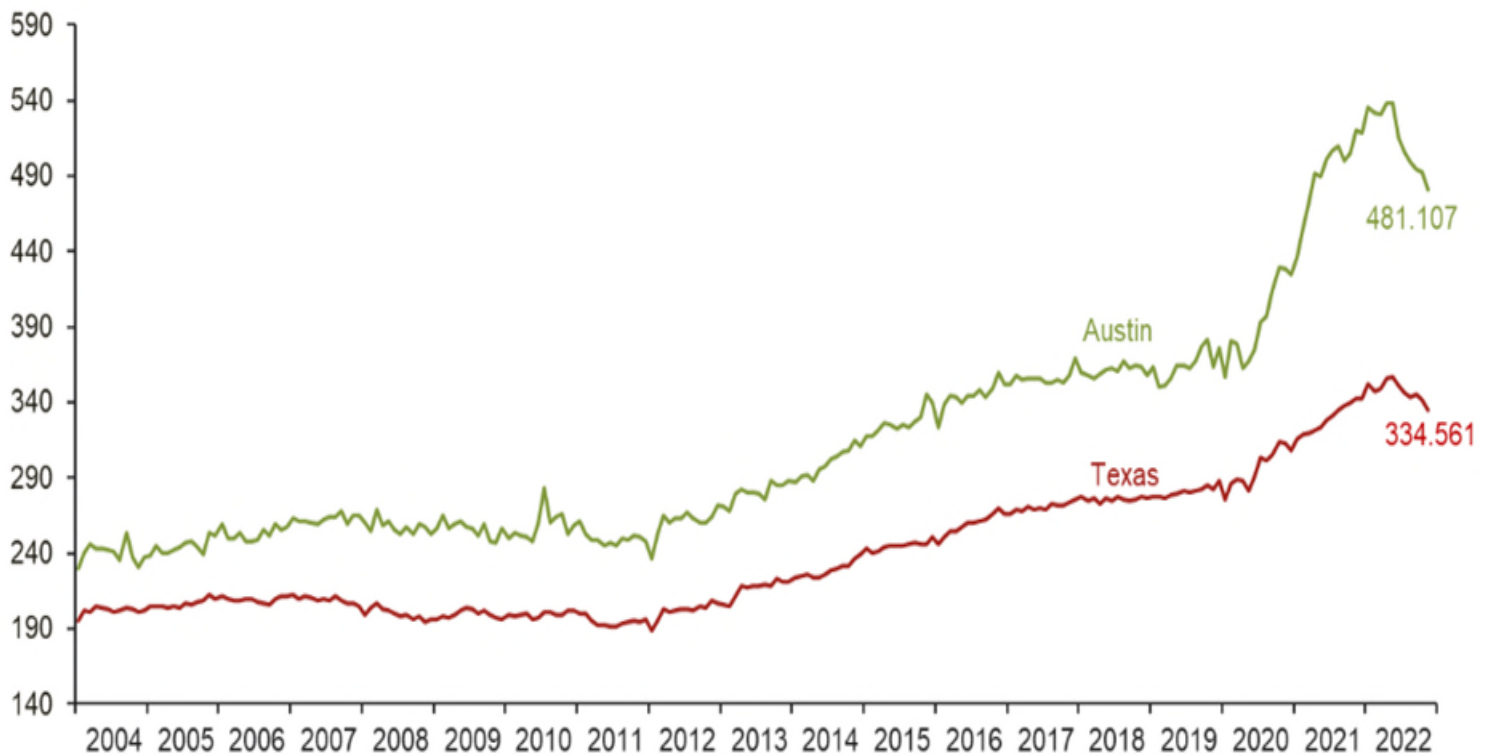
Provided by Federal Reserve of Dallas – U.S. Economy Charts – Jan 2023

HOME PRICES FALL FURTHER - AUSTIN

“Austin’s median home price continued to decrease in November, by 2.3 percent, reaching \$481,107. One of the reasons the median price of homes sold is declining is due to people choosing lower-priced homes in response to prices and the interest rate. Thus, the decline is also reflective of a composition effect, where the median home prices are indicative of those lower-priced homes. Similar to Austin, Texas’ median home price fell 2.0 percent to \$334,561. Year over year, **Austin has experienced a 7.5 percent decrease in median home prices, while Texas has experienced a 2.4 percent decline.**” – Jan 2023 – Austin Economic Indicators – Dallas Fed

Median home prices

Thousands of dollars*



*Seasonally adjusted

NOTE: Data measure sales of residential units (single-family homes, condominiums and townhomes).

SOURCE: Real Estate Center at Texas A&M University; adjustments by the Dallas Fed.

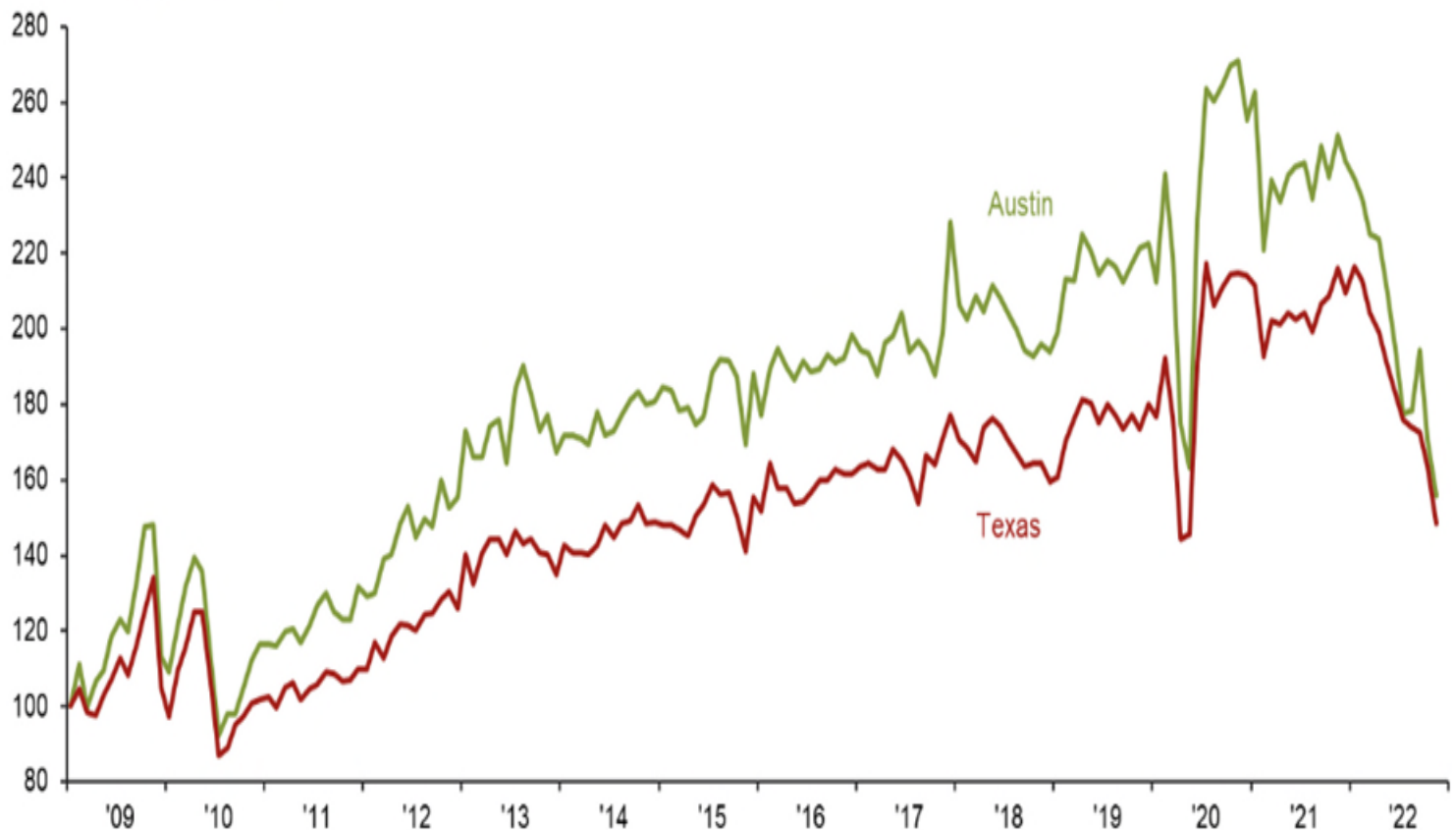
Provided by Dallas Federal Reserve – Austin Economic Indicators – Jan 2023

HOME SALES DROP TO PANDEMIC LEVELS - AUSTIN

“Austin home sales continued to decrease in November, falling 8.6 percent, on par with Texas’ decline of 9.3 percent. While month over month Texas experienced a greater decline than Austin, year over year, **Austin saw a larger drop in home sales (38.0 percent) than Texas (31.3 percent); now both are at or below levels last seen during the beginning of the pandemic in 2020.**” – Jan 2023 – Austin Economic Indicators – Dallas Fed

Existing-home sales

Index, January 2009 = 100*



*Seasonally adjusted.

NOTE: Data measure sales of residential units (single-family homes, condominiums and townhomes).

SOURCE: Multiple Listing Service; Real Estate Center at Texas A&M University; adjustments by the Dallas Fed.

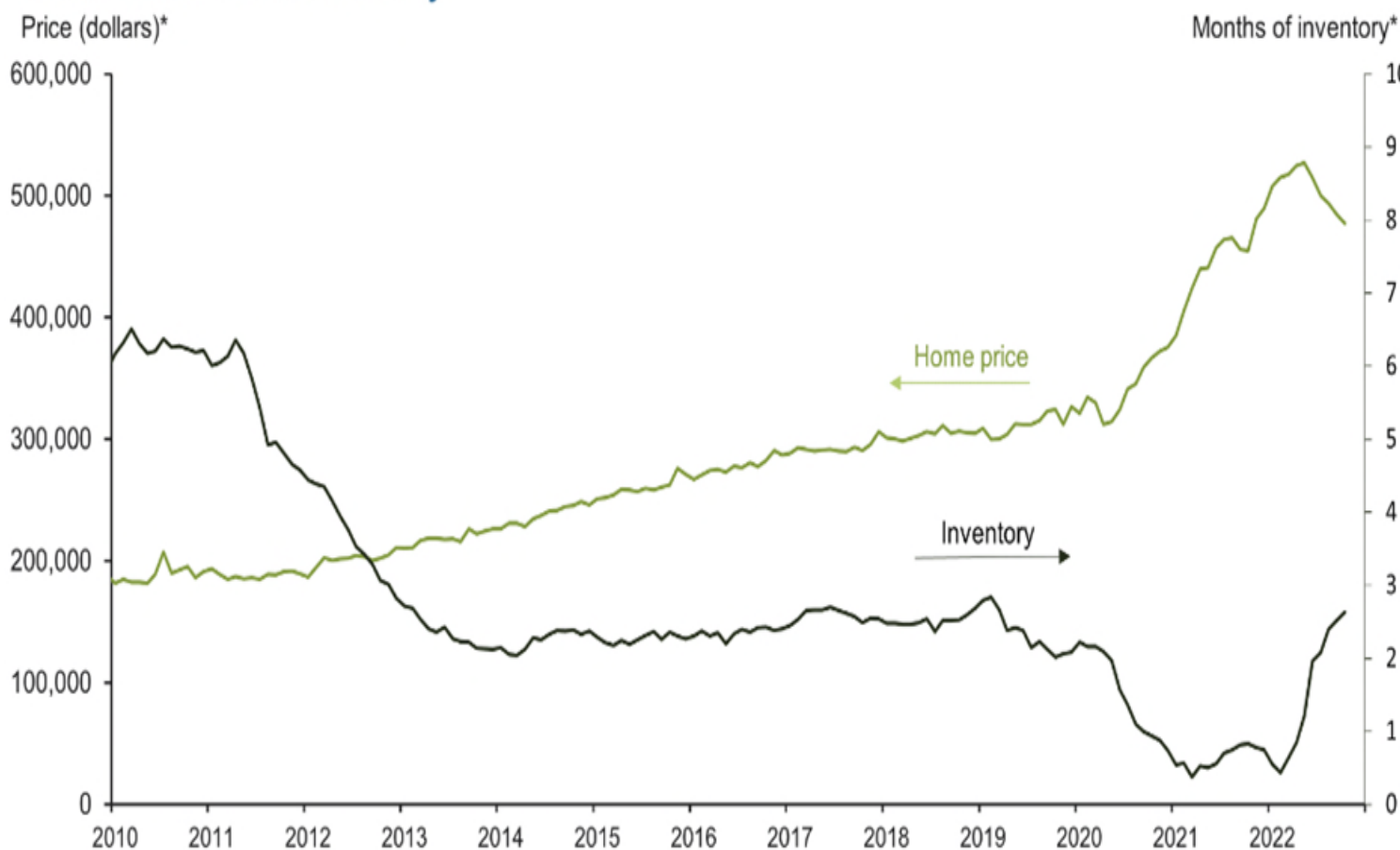
Provided by Dallas Federal Reserve – Austin Economic Indicators – Jan 2023

HOUSING INVENTORY RECOVERS AS HOME PRICES DECLINES - AUSTIN

“On the housing side, demand has weakened further as mortgage rates cause home prices to cool and housing inventory to rise. At the same time, housing affordability continues to fall.”

“There are further signs of weakening demand in Austin’s housing market due to rising interest rates. In October, median home prices declined an annualized 16.9 percent, while housing inventory recovered to 2.6 months of supply, reaching levels last seen in early 2019.” – Dec 2022 – Austin Economic Indicators – Dallas Fed

Median Home Price and Inventory



*Seasonally adjusted.

NOTE: Data are through October 2022.

SOURCE: Real Estate Center at Texas A&M University; adjustments by the Dallas Fed.

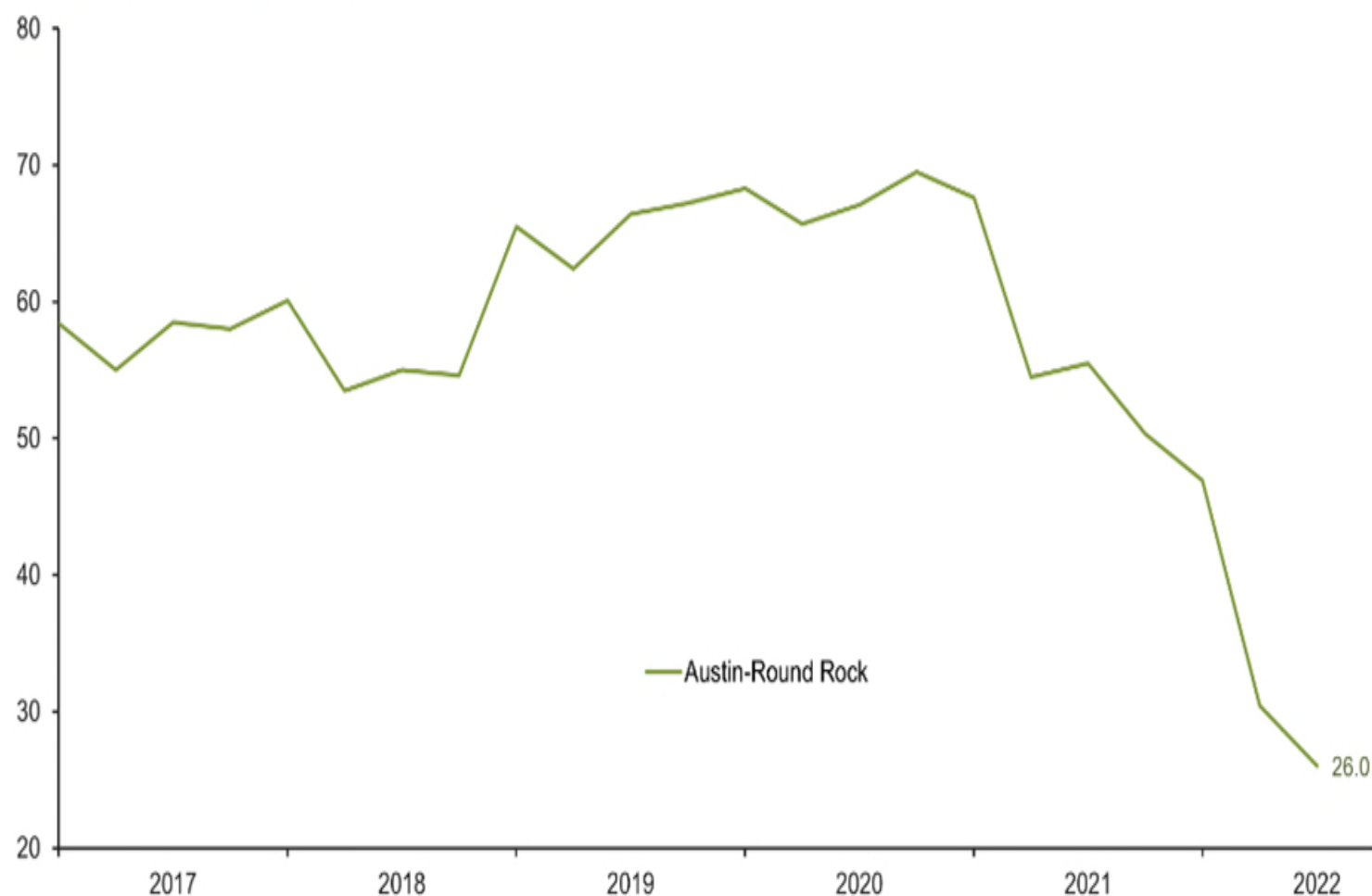
Provided by Dallas Federal Reserve – Austin Economic Indicators – Dec 2022

HOUSING OPPORTUNITY INDEX - AUSTIN

“The **Housing Opportunity Index**, which reflects the percentage of homes sold that would have been affordable to a family earning the median income, **continues to decline in the Austin area**. At the end of the third quarter, the index stood at 26.0 percent, well below the national level of 42.2 percent.” – Dec 2022 – Austin Economic Indicators – Dallas Fed

Housing Opportunity Index

Percent of homes that are affordable



NOTE: Data are through third quarter 2022.

SOURCE: National Association of Home Builders/Wells Fargo.

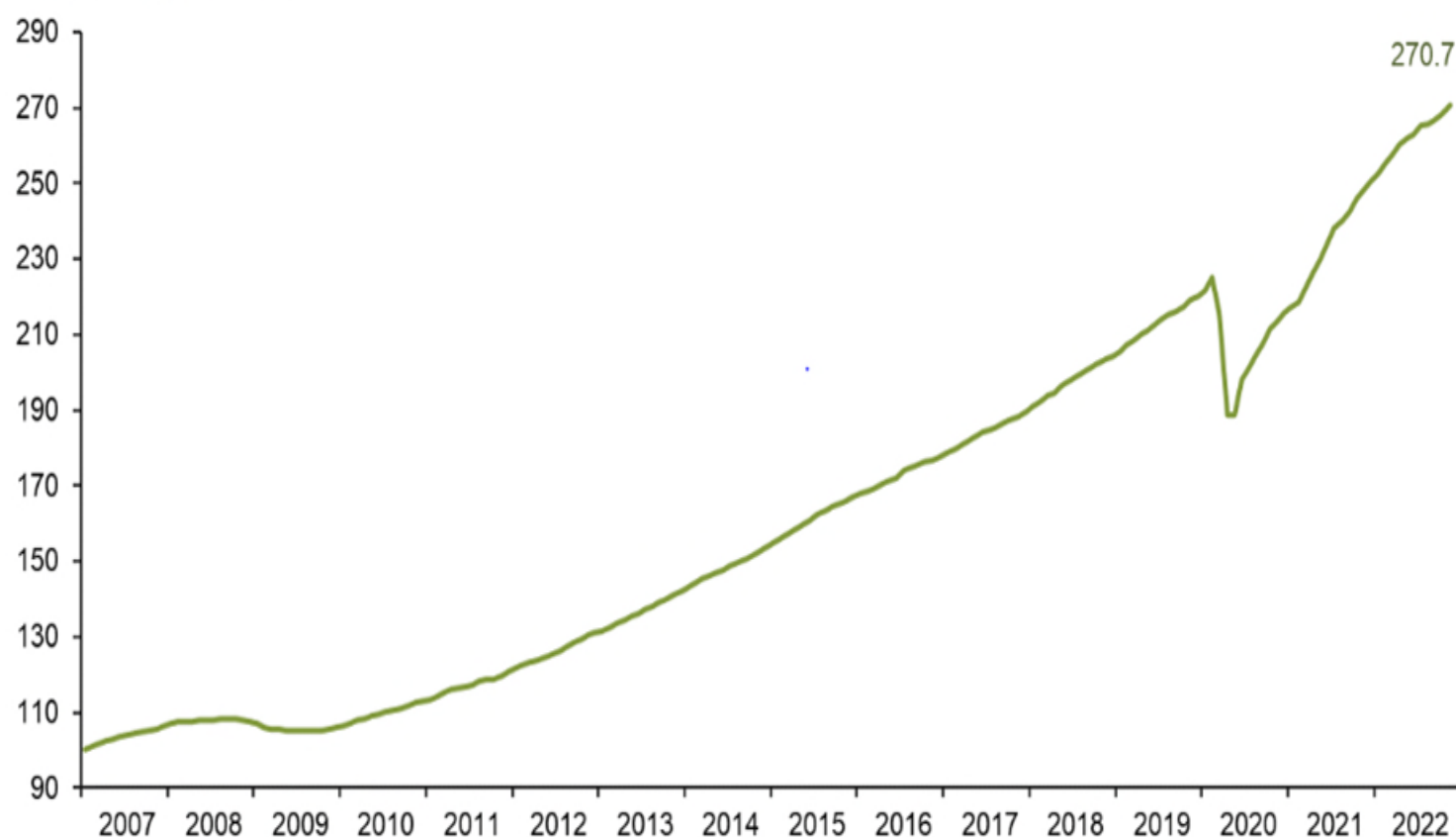
Provided by Dallas Federal Reserve – Austin Economic Indicators – Dec 2022

BUSINESS CYCLE INDEX – AUSTIN MSA

“The Austin Business-Cycle Index—a broad measure of economic activity—grew at an annualized 10.6 percent in November, greater than the 8.0 percent growth in October.” – Jan 2023 – Austin Economic Indicators – Dallas Fed

Austin Business-Cycle Index

Index, January 2007 = 100



SOURCE: Dallas Fed.

Provided by Federal Reserve of Dallas – Austin Economic Indicators – Jan 2023

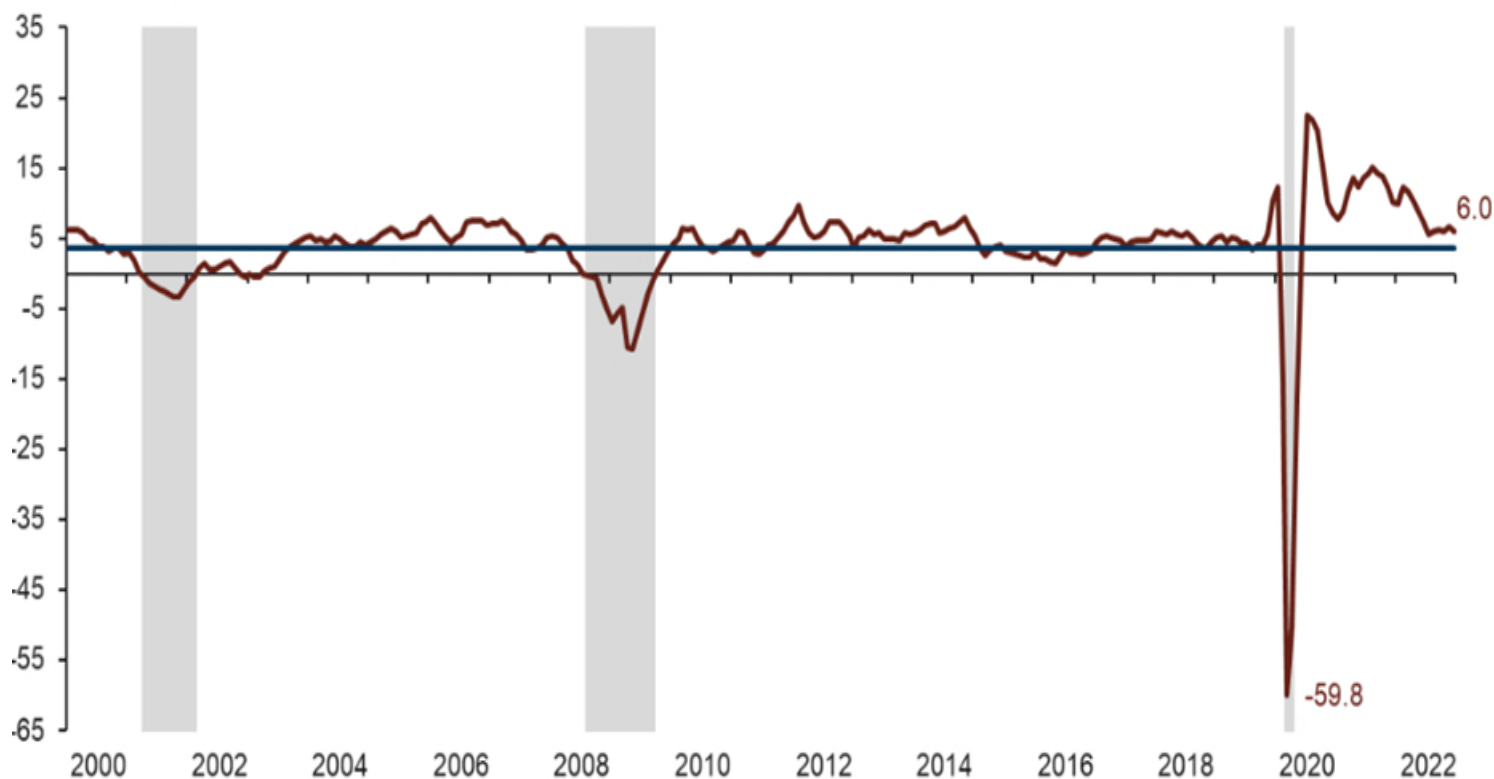
Business Cycle Indexes are meant to reflect broad movements in local economic conditions. The Dallas Fed states that “the [local area] indexes are constructed based on the aggregated movements in the local area unemployment rate, nonagricultural employment, inflation-adjusted wages, and inflation-adjusted retail sales. The weights of the components are statistically optimized for each metropolitan area in order to best capture the underlying cyclical movements in the local area economy.”

BUSINESS CYCLE INDEX – TEXAS

“The Texas Business-Cycle Index—a composite of the unemployment rate, state payroll employment and gross state product—reflects underlying economic activity in the state. **In December, the index grew at an above-average annualized pace of 6.0 percent—slightly slower than November’s 6.7 increase.** Year over year, the index rose 8.1 percent thanks to falling unemployment and strong job growth statewide.” – Jan 2023 – Austin Economic Indicators – Dallas Fed

Texas Business-Cycle Index

Month/month percent change*



*Annualized rate.

NOTE: The horizontal line is the average from January 2000 to December 2022. Gray bars indicate Texas recessions.

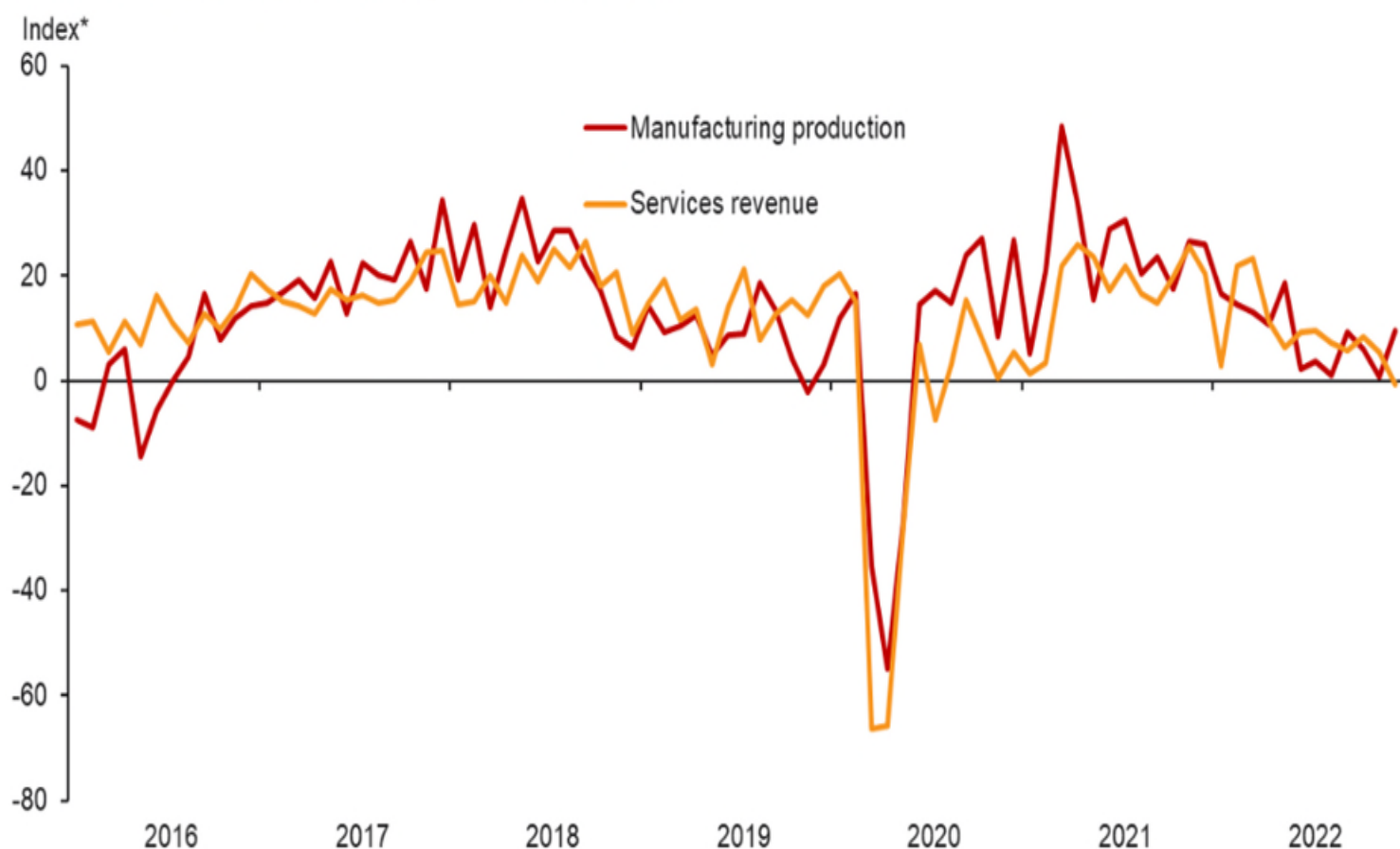
SOURCE: Dallas Fed.

Provided by Federal Reserve of Dallas – Texas Economic Indicators – Jan 2023

TEXAS BUSINESS OUTLOOK SURVEYS

“The Texas Business Outlook Surveys indicate that activity in the manufacturing sector rebounded at year-end, while service sector growth weakened. In December, the manufacturing production index increased 8.9 points to 9.7. In contrast, the service sector revenue index posted its first negative reading since July 2020. It fell 6.1 points to -0.6, indicative of no growth. Perceptions of broader business conditions continued to be pessimistic in December.” – Jan 2023 – Texas Economic Indicators – Dallas Fed

Texas Business Outlook Surveys' headline indexes



*Seasonally adjusted.
SOURCE: Dallas Fed.

Provided by Federal Reserve of Dallas – Texas Economic Indicators – Jan 2023

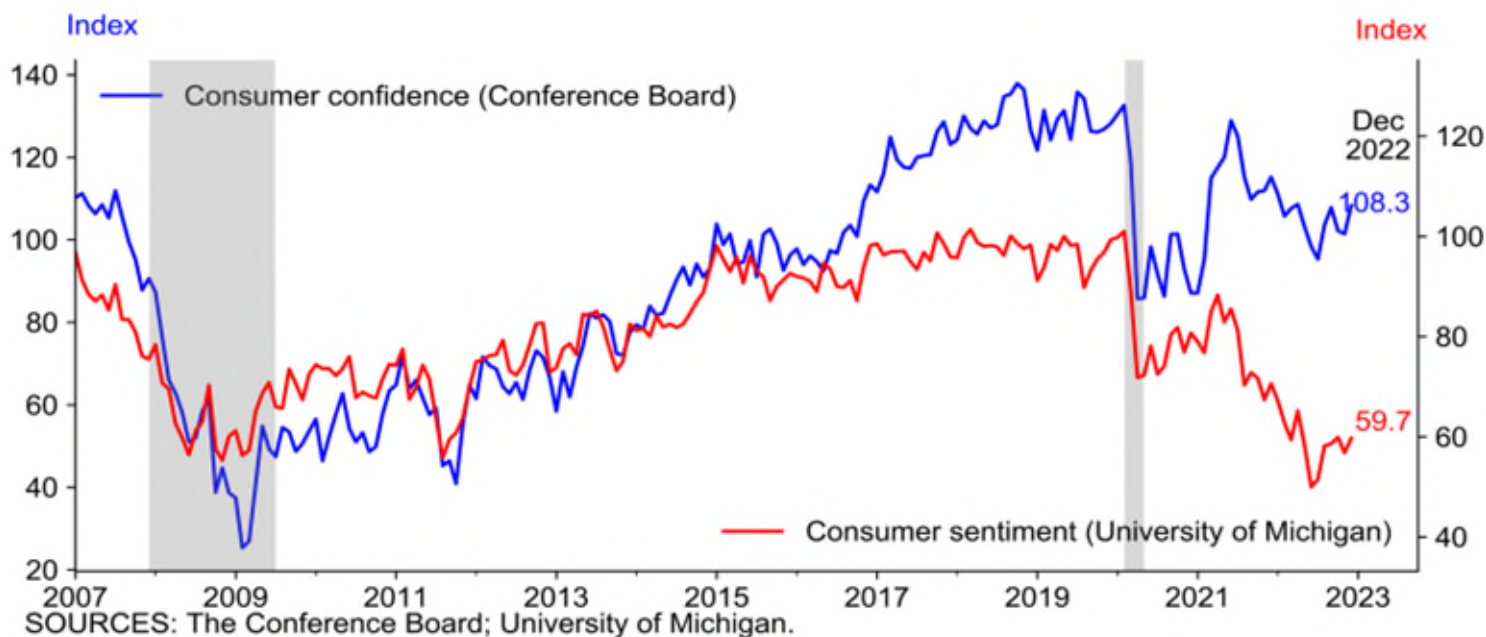
CONSUMER CONFIDENCE AND SENTIMENT – U.S.

“Consumer confidence bounced back in December, reversing consecutive declines in October and November to reach its highest level since April 2022,” said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. “The Present Situation and Expectations Indexes improved due to consumers’ more favorable view regarding the economy and jobs. Inflation expectations retreated in December to their lowest level since September 2021, **with recent declines in gas prices a major impetus.** Vacation intentions improved but plans to purchase homes and big-ticket appliances cooled further. This shift in consumers’ preference from big-ticket items to services will continue in 2023, as will headwinds from inflation and interest rate hikes.” – Dec 2022 – The Confidence Board

“Consumer sentiment rose 4% above November, recovering most of the losses from November but remaining low from a historical perspective. All components of the index lifted, with one-year business conditions surging 14% and long-term business conditions increasing a more modest 6%.”

“Year-ahead inflation expectations improved considerably but remained relatively high, falling from 4.9% to 4.6% in December, the lowest reading in 15 months but still well above 2 years ago.” – Dec 2022 – Survey of Consumers – University of Michigan

Consumer Confidence

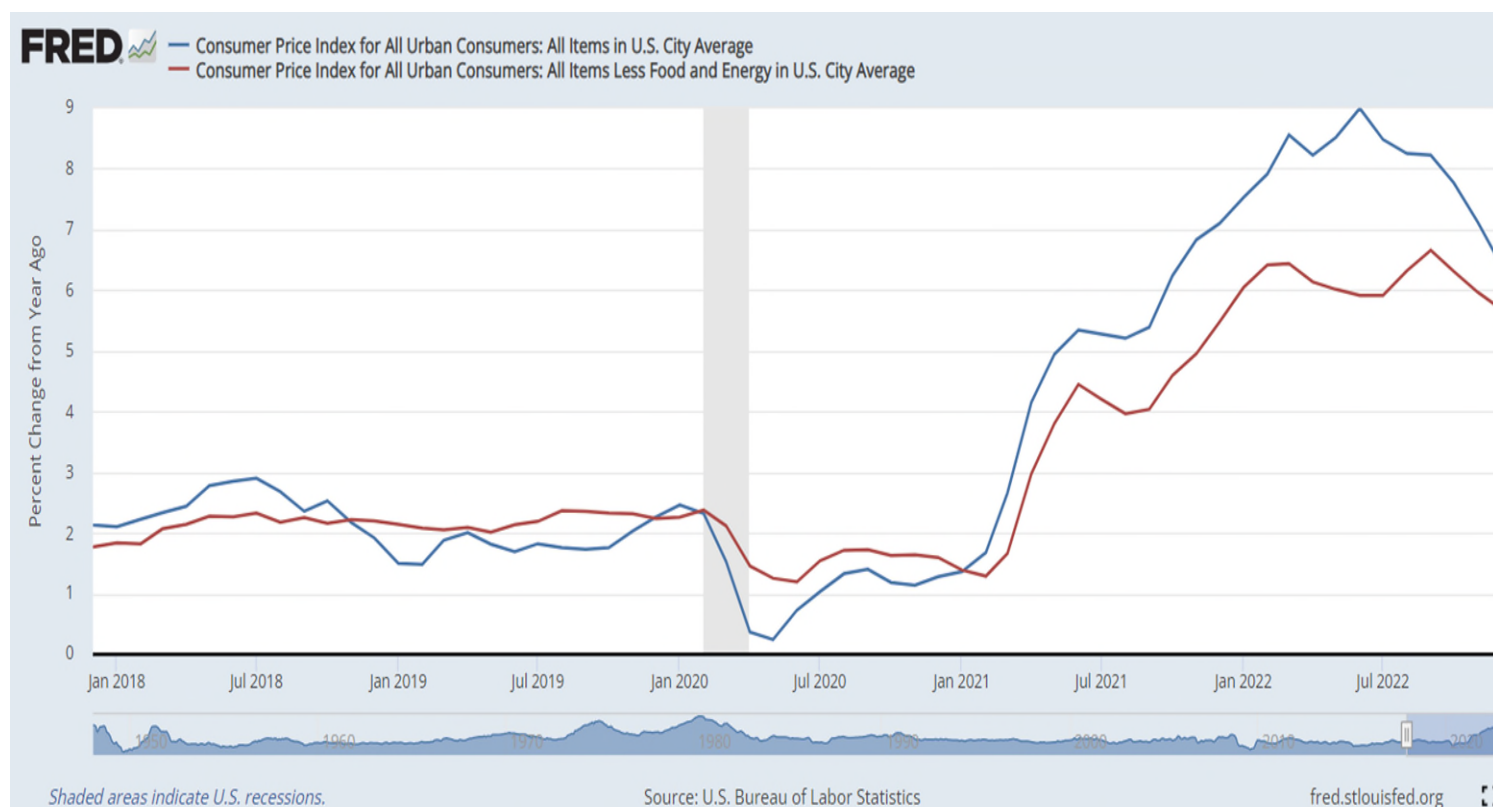


Provided by Federal Reserve of Dallas – U.S. Economy Charts– Jan 2023

CONSUMER PRICE INDEX

“The all items index increased 6.5 percent for the 12 months ending December; this was the smallest 12-month increase since the period ending October 2021. The all items less food and energy index rose 5.7 percent over the last 12 months. The energy index increased 7.3 percent for the 12 months ending December, and the food index increased 10.4 percent over the last year; all of these increases were smaller than for the 12-month period ending November.” – Oct 2022 – Economic News Release – Bureau of Labor Statistics

Consumer Price Index - 12 Month Percentage Change

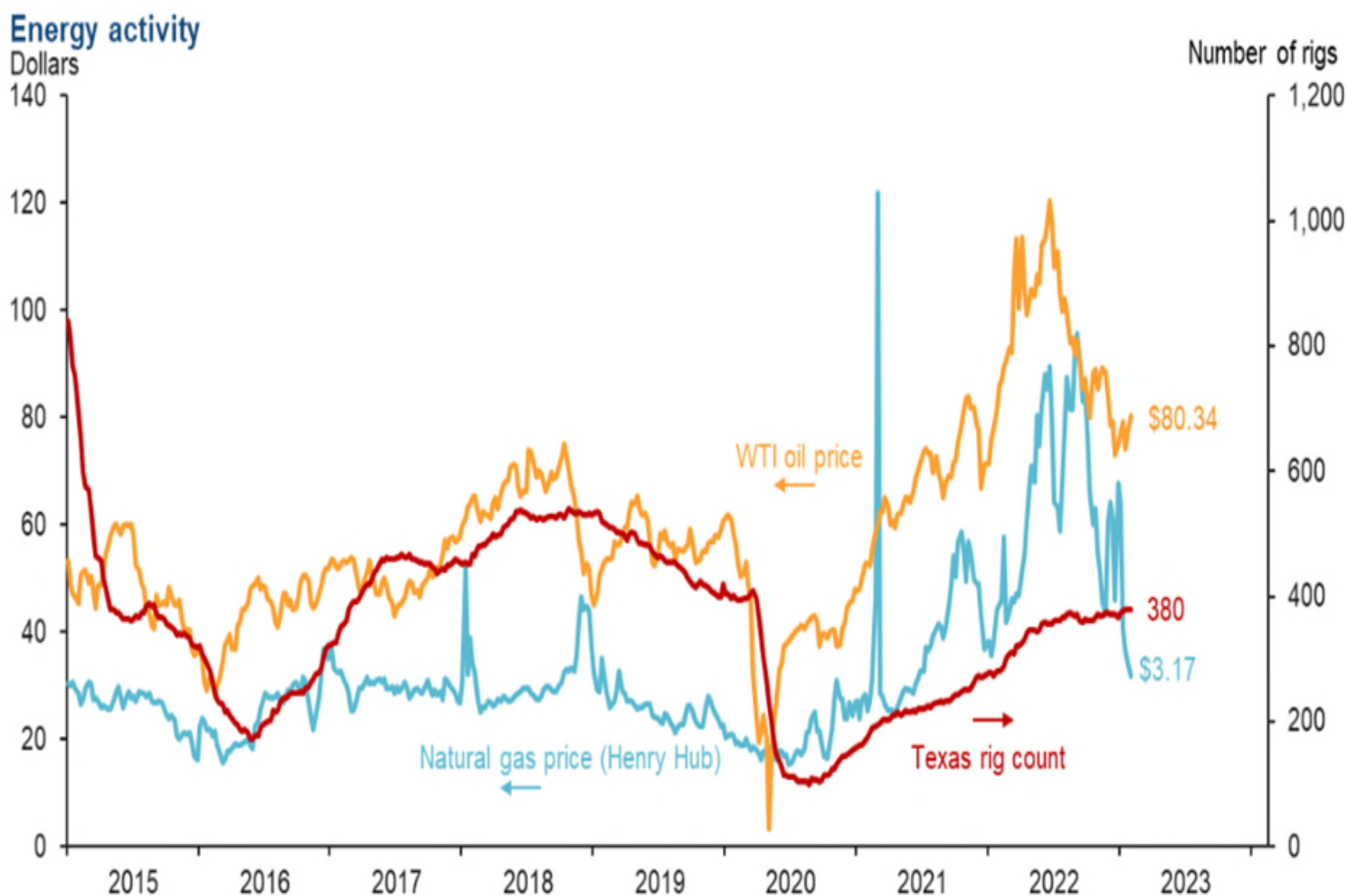


Source: Bureau of Labor Statistics, not seasonally adjusted, 1982-84=100 Provided by the St. Louis Fed

According to the Bureau of Labor Statistics (BLS), “There are a variety of CPI numbers generated each month. In the graph above, two numbers are compared. The first is the **Official CPI Number** that is reported to the media. It is the broadest and most comprehensive CPI and is called the **All Items CPI for All Urban Consumers**. The second one is called the **All items less food and energy**.” The BLS mentions that “Some users of CPI data use this index because food and energy prices are relatively volatile, and these users want to focus on what they perceive to be the ‘core’ or ‘underlying’ rate of inflation.”

OIL AND NATURAL GAS

“Oil prices increased in January. As of the week ending Jan. 20, **West Texas Intermediate crude was \$80.34 per barrel, an increase of \$3.24 from the previous week.** Natural gas (Henry Hub) fell 28 cents to \$3.17 per million British thermal units. The number of active rigs in Texas ticked up from 379 to 380 during the same period.” – Jan 2023 – Texas Economic Indicators – Dallas Fed



NOTE: Data are through the week ending Jan. 20, 2023. The West Texas Intermediate (WTI) oil price is dollars per barrel; the natural gas price is dollars per million British thermal units, multiplied by 10.

SOURCE: Baker Hughes; Energy Information Administration; *Wall Street Journal*.

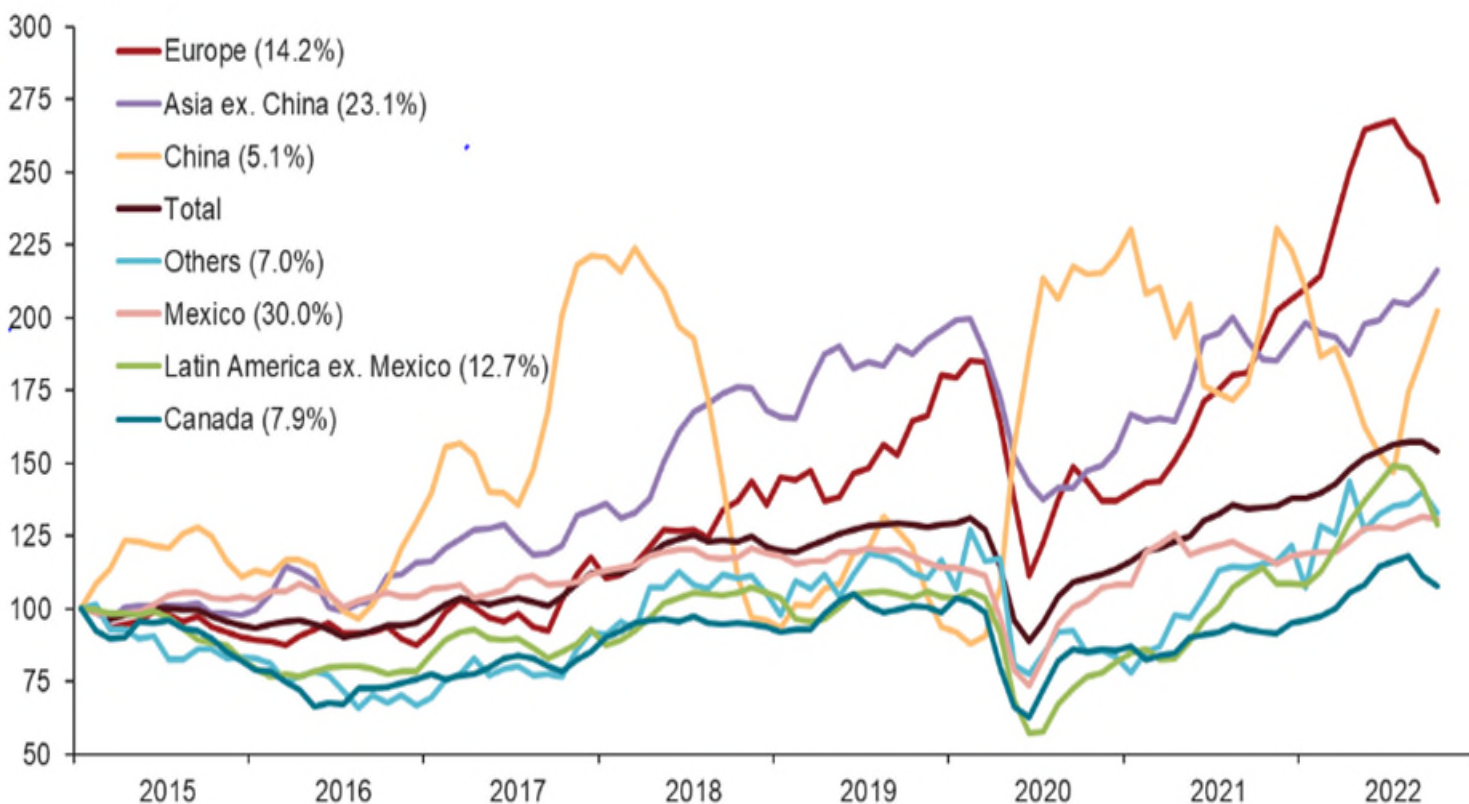
Provided by Federal Reserve of Dallas – Texas Economic Indicators – Jan 2023

TEXAS EXPORTS

“Texas exports declined 4.5 percent in October, and the three-month moving average fell 1.9 percent. On a smoothed (three-month average) basis, exports to some of Texas’ largest trading partners declined. Exports to Latin America excluding Mexico fell 9.3 percent in October, followed by Europe (-6.0 percent), Canada (-3.2 percent) and Mexico (-0.6 percent). China and the rest of Asia were among areas that saw increases, with Texas exports rising 8.1 percent and 3.8 percent, respectively. **Through October, Texas exports were 17.1 percent above the same period last year.”** – Dec 2022 – Texas Economic Indicators – Dallas Fed

Texas exports by region

Index, 2015 = 100*



*Three-month moving average, real dollars; seasonally adjusted.

NOTE: Numbers in parentheses refer to the share of October 2022 Texas exports.

SOURCE: Census Bureau; Bureau of Labor Statistics.

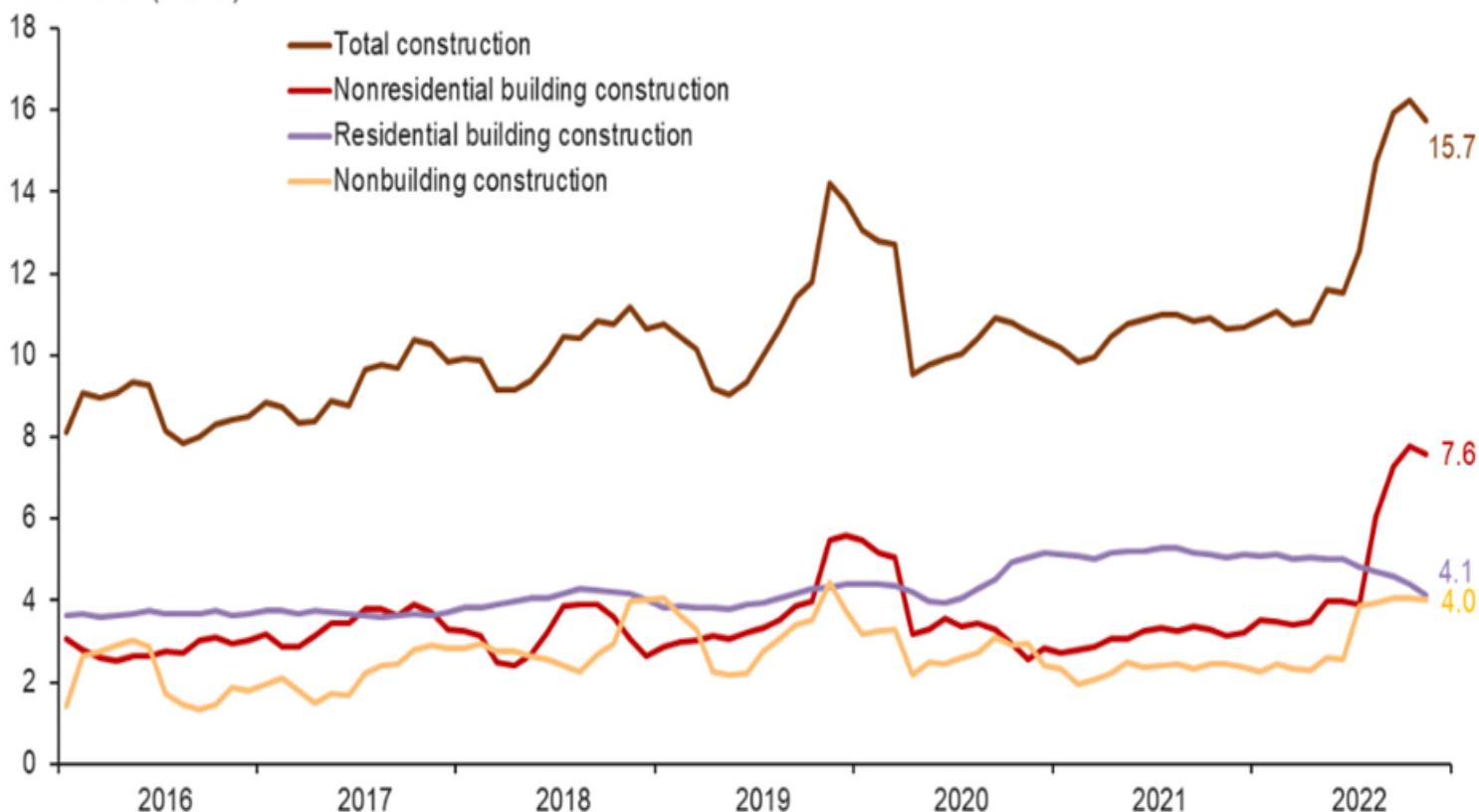
Provided by Federal Reserve of Dallas – Texas Economic Indicators – Dec 2022

CONSTRUCTION

“Construction contract values plunged for the third straight month, falling 40.5 percent in November. The five-month moving average dipped 3.1 percent. Contract values for the three major construction categories declined in November. The five-month moving average of residential values dropped to \$4.1 billion, nonresidential building construction values fell to \$7.6 billion, and nonbuilding construction dipped to \$4.0 billion. Year to date through November, total construction contract values were up 26 percent compared with the same period in 2021.” – Jan 2023 – Texas Economic Indicators – Dallas Fed

Construction contract values

Real dollars (billions)*



*Five-month moving average; seasonally adjusted.

SOURCE: F.W. Dodge.

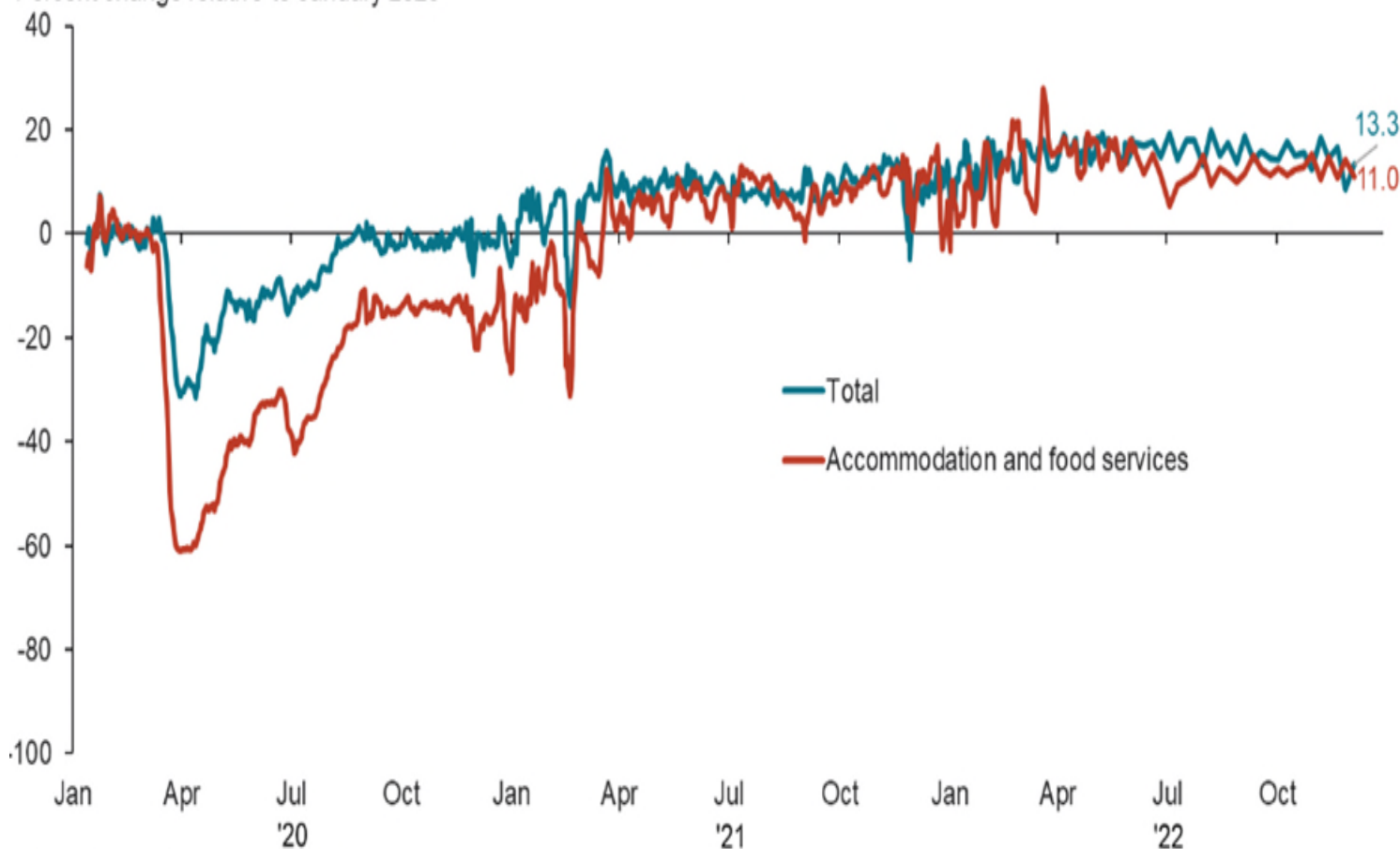
Provided by Texas Economic Indicators – Dallas Federal Reserve – Texas Economic Indicators – Jan 2023

DEBIT/CREDIT CARD SPENDING - TEXAS

“Total consumer spending in Texas grew in November and early December. As of the week ending Dec. 4, **total debit and credit card spending was 13.3 percent above pre-COVID-19 levels in January 2020**. Accommodation and food services spending also remained strong at 11.0 percent above January 2020 levels.” – Dec 2022 – Texas Economic Indicators – Dallas Fed

Debit/credit card spending in Texas

Percent change relative to January 2020*



*Seasonally adjusted, seven-day moving average.

NOTE: The latest data are for the week ending Dec. 4, 2022. Data are daily through June 5, 2022, and weekly thereafter. All data refer to debit and credit card spending relative to Jan. 4–31, 2020.

Provided by Texas Economic Indicators – Dallas Federal Reserve – Texas Economic Indicators – Dec 2022

NEGATIVE-YIELDING BONDS COULD BE APPROACHING FINAL DAYS

“Negative yields on government bonds look like they are about to ride off into the sunset.

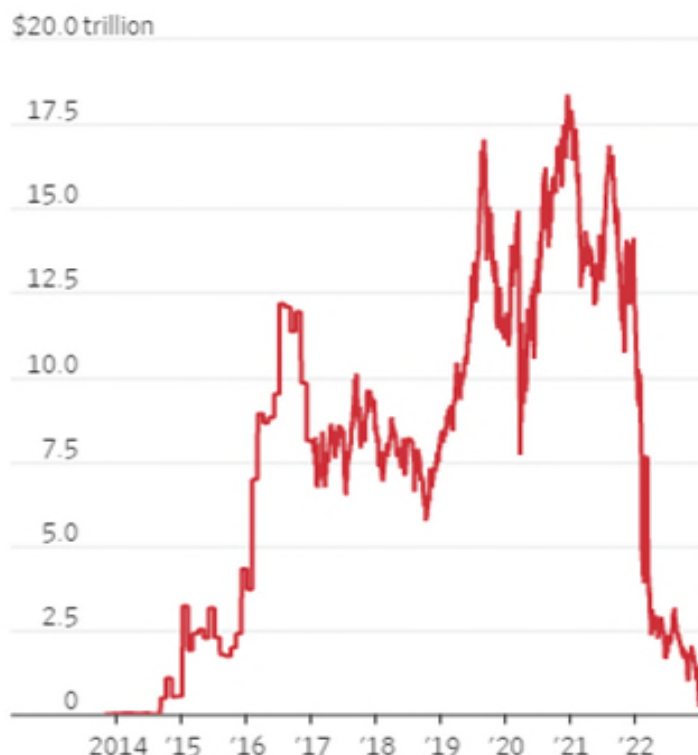
The worldwide sum of negative-yielding debt has almost completely evaporated, another effect of central bankers’ efforts to fight inflation around the world. It now stands at \$271 billion, down from more than \$18.4 trillion two years ago, according to Bloomberg index data accessed via FactSet.

This unusual debt piled up in recent years as central banks in **Europe and Japan held their target interest rates below zero to try to stimulate economic growth.**

This year, however, **surging inflation has prompted Europe’s major central banks to raise interest rates,** pulling yields there back into positive territory. That has left Japan as home to nearly all the sub-zero-yielding debt that remains.

But last week, the Bank of Japan eased its efforts to keep the yield on 10-year Japanese government bonds below 0.25%. In the days since, the Japanese 10-year yield has risen to just shy of 0.5%, and yields on shorter-term notes of less than 10 years have turned positive. **Now, only the yields on Japanese government bills that mature in a year or less remain negative.”**

Negative-yielding debt peaked at more than \$18 trillion in 2020 but has now almost completely evaporated



Source: Bloomberg index data accessed via FactSet
Provided by WSJ – Dec 2022

“Bonds with negative yields make for a counterintuitive investment, because they effectively **require the bondholder to pay for the privilege of lending the government money.**

They can also send investors hunting for alternatives that offer more solid returns. **Low and sometimes negative yields on many government bonds throughout the world helped set the backdrop for a yearslong rally in riskier investments like stocks** through the end of 2021.” – Dec 2022 – The Wall Street Journal

AMERICANS MISSING OUT ON BILLIONS OF DOLLARS OF INTEREST

“Americans are missing out on billions of dollars in interest by keeping their savings at the biggest U.S. banks.

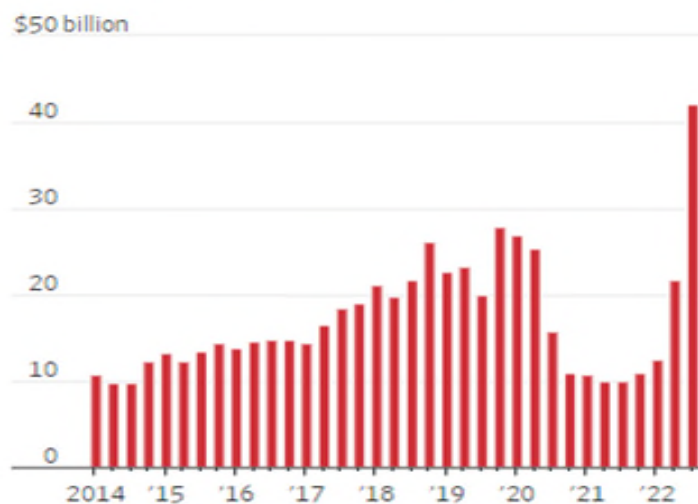
The Federal Reserve has raised interest rates to their highest level since early 2008, just before a near failure of the financial system plunged the American economy into recession. Yet the biggest commercial banks are still paying peanuts to savers.

In theory, savers could have earned \$42 billion more in interest in the third quarter if they moved their money out of the five largest U.S. banks by deposits to the five highest-yield savings accounts - none of which are offered by the big banks - according to a Wall Street Journal analysis of S&P Global Market Intelligence data.

The reality is complicated. The five banks collectively made far less than \$42 billion in profit in the third quarter. And if savers were to move their money en masse, banks offering high-yield accounts could lower their rates.

The five banks - Bank of America Corp., Citigroup Inc., JPMorgan Chase & Co., U.S. Bancorp and Wells Fargo & Co. - paid an average of 0.4% interest on consumer deposits in savings and money-market accounts during the quarter, according to S&P Global.

How much more money Americans would have earned by holding funds in a top high-yield savings account each quarter



Source: S&P Global Market Intelligence

Provided by WSJ - Dec 2022

The five highest-yielding savings accounts paid an average of 2.14% during the same period, according to data from Bankrate.com.

The five banks collectively hold about half of all the money kept at U.S. commercial banks in savings and money-market accounts tracked by the Federal Deposit Insurance Corp. That share has held steady despite the availability of higher rates elsewhere.

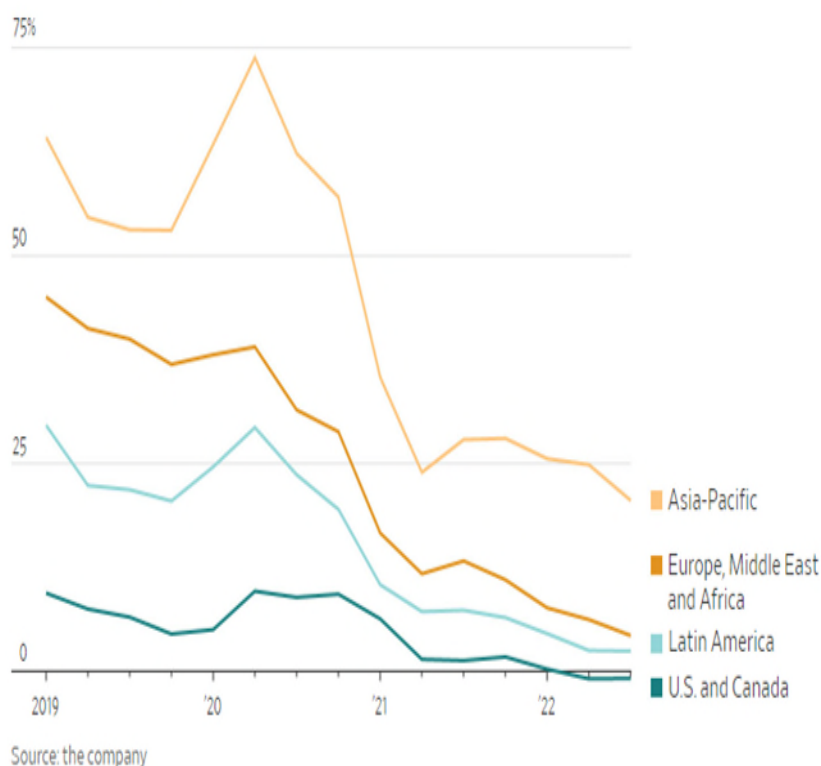
The \$42 billion gap in the third quarter was the largest amount since record-keeping began, but will likely be dwarfed in the fourth quarter because top high-yield savings accounts have raised their interest rates to more than 3.5%.” - Dec 2022 - The Wall Street Journal

NETFLIX ENDING PASSWORD SHARING

“The end of password sharing is coming to Netflix soon—and it will be a challenge for both viewers and the streaming giant.

The company has put off this moment for years. Researchers inside Netflix Inc. identified password sharing as a major problem eating into subscriptions in 2019, people familiar with the situation say, but the company was worried about how to address it without alienating consumers. Then Covid lockdowns hit, bringing a wave of new subscribers, and the effort to scrutinize sharing petered out.

Netflix paid subscribers by region, change from a year earlier



Netflix didn’t pursue a plan to crack down widely on the practice until this year, as subscriber losses mounted. At a company gathering outside Los Angeles early this year, Co-Chief Executive Reed Hastings told senior executives that the pandemic boom had masked the extent of the password-sharing issue, and that they had waited too long to deal with it, according to people who were at the meeting.

More than 100 million Netflix viewers now watch the service using passwords they borrow—often from family members or friends, the company says. Netflix has said that it will **put an end to that arrangement starting in 2023**, asking people who share accounts to pay to do so. The company expects to begin rolling out the change in the U.S. early in the year.”

“It’s a stark turnaround for a company that once tweeted, ‘Love is sharing a password.’”
 – Dec 2022 – The Wall Street Journal

IN DEPTH - SECURE ACT 2.0 – BIG CHANGES TO RETIREMENT SAVINGS

INTRODUCTION

“Three years after the **Secure Act of 2019** ushered in the first major changes to the U.S. retirement system in more than a decade, more modifications are now on their way.

Dozens of retirement-related provisions collectively known as ‘Secure 2.0’ are included in a \$1.7 trillion omnibus appropriations bill.

Secure 2.0 ‘addresses gaps that have left some people on the sidelines of retirement savings, unable to access the workplace retirement plans that do so much good in establishing the capability and habit of savings,’ said Susan Neely, president and CEO of the American Council of Life Insurers.

‘Part-time workers, military spouses, small-business employees, and student loan borrowers are just a few who will benefit and have a better chance of positioning themselves for a more financially secure retirement as a result of Congress’s action today,’ Neely said.” - Dec 2022 - CNBC



Source: Getty; Provided by Forbes– Dec 2022

“The bill also includes incentives for small businesses to set up retirement savings plans for their workers, encourages individuals to set aside long-term savings and makes it easier for annuities to be an income option for retirees.” – Dec 2022 - CNBC

IN DEPTH - SECURE ACT 2.0 – BIG CHANGES TO RETIREMENT SAVINGS

TAX AND PENALTY FREE ROLLOVERS TO ROTH IRAs FROM 529 PLANS

“The Act includes language that would allow tax and penalty-free rollovers from 529 college savings plans to Roth IRAs, with limitations. The lifetime rollover limit is \$35,000 and beneficiaries must move funds between a 529 plan and Roth IRA in their name. The 529 account must have been opened for over 15 years. Provisions are subject to ordering rules and Roth contribution limits so additional detail will be necessary here.” – Dec 2022 – Forbes

ALLOW COMPANIES TO MAKE 401(k) MATCHES BASED ON STUDENT LOAN PAYMENTS

Starting in 2024, “the Secure Act 2.0 would permit employers to make matching contributions to an employee’s 401(k) and 403(b) retirement plan, even if the worker isn’t saving themselves. In the bill, **workers facing the decision to pay off student loans or save for retirement could have a portion of their student loan payments matched by their employer and contributed to their retirement plan.**

Keep in mind, matching contributions are often voluntary so it would be up to the plan as to whether to adopt this provision. Especially for smaller employers, recordkeeping could become burdensome.” – Dec 2022 – Forbes

EMERGENCY SAVINGS

“Defined contribution retirement plans would be able to add an emergency savings account that is a designated Roth account eligible to accept participant contributions for non-highly compensated employees starting in 2024. Contributions would be limited to \$2,500 annually (or lower, as set by the employer) and the first 4 withdrawals in a year would be tax- and penalty-free. Depending on plan rules, contributions may be eligible for an employer match. **In addition to giving participants penalty-free access to funds, an emergency savings fund could encourage plan participants to save for short-term and unexpected expenses.”** – Jan 2023 – Fidelity

IN DEPTH - SECURE ACT 2.0 – BIG CHANGES TO RETIREMENT SAVINGS

FEDERAL MATCHING CONTRIBUTION FOR LOWER-INCOME SAVERS

“People with income under set limits who contribute to a qualified retirement account — i.e., a 401(k) plan — would receive a limited federal ‘matching’ contribution to their nest egg starting in 2027. That amount would be a maximum 50% of up to \$2,000 in contributions to a qualifying account (so a maximum \$1,000 match per individual).

The match would be phased out (reduced) at income of \$41,000 to \$71,000 for married couples filing a joint tax return. For single taxpayers, the phase-out range would be \$20,500 to \$35,500, and for heads of household filers, \$30,750 to \$53,250.

The move to allow a federal matching contribution is being sought because the current tax credit is nonrefundable, meaning that if you owe no federal income tax, you don’t get the credit. ‘The major drawback with the version in law today is that it’s not refundable,’ said Shai Akabas, director of economic policy at the Bipartisan Policy Center. ‘So individuals who have no federal income tax liability, which is most low- and moderate-income earners, get no benefit from that credit,’ Akabas said. ‘This reform is an attempt to make sure those people receive an incentive and a benefit for putting away money for their future.’

The new saver’s match also would be available to some workers who aren’t permitted to use the current tax credit, such as some government employees (i.e., school teachers) and gig workers, said Kristen Carlisle, general manager of Betterment at Work.” – Dec 2022 – CNBC

“More than 108 million people would be eligible for the saver’s match, according to the American Retirement Association.

In the meantime, **the existing tax credit remains available and would stay intact through 2026** if the provision in Secure 2.0 becomes law. However, only 48% of workers are aware of it, according to a 2021 report from the Transamerica Center for Retirement Studies.” – Dec 2022 – CNBC

IN DEPTH - SECURE ACT 2.0 – BIG CHANGES TO RETIREMENT SAVINGS

AUTOMATIC ENROLLMENT

“Any 401(k) or 403(b) plan that is established after the date of enactment of SECURE Act 2.0 must, for plan years beginning after December 31, 2024, contain an automatic enrollment provision that automatically enrolls employees (unless the employee opts out) and an automatic escalation provision that automatically escalates participants’ deferral percentage (again, unless the employee opts out). More specifically, employees must be automatically enrolled at a contribution percentage of at least 3%, but not more than 10%, and their contribution percentage must automatically increase by 1% on the first day of each plan year following completion of a year of service until the contribution is at least 10%, but no more than 15%.

Exceptions to these general rules apply to governmental and church plans and for plans sponsored by new and small businesses. Employers that join an existing multiple employer plan are subject to these requirements as if they had established a new plan.” – Dec 2022 – Morgan Lewis

AUTOMATIC PLAN PORTABILITY

“[Secure Act 2.0] also permits retirement plan service providers to offer plan sponsors automatic portability services, transferring an employee's low balance retirement accounts to a new plan when they change jobs.

The change could be especially useful for lower-balance savers who typically cash out their retirement plans when they leave jobs, rather than continue saving in another eligible retirement plan.” – Dec 2022 – Fidelity

IN DEPTH - SECURE ACT 2.0 – BIG CHANGES TO RETIREMENT SAVINGS

INCREASE PART-TIME WORKERS' ACCESS TO RETIREMENT ACCOUNTS

“The original Secure Act made it so part-time workers who book between 500 and 999 hours for three consecutive years could be eligible for their company’s 401(k). Secure 2.0 reduces that to two years. Companies already have been required to grant eligibility to employees who work at least 1,000 hours in a year.” – Dec 2022 – CNBC

DE MINIMIS INCENTIVES TO IMPROVE RETIREMENT PLAN PARTICIPATION

“Currently, employees are prohibited from receiving incentives or other benefits that are contingent on the employee making contributions to a retirement plan (other than matching contributions). Effective for plan years after the date of enactment, **SECURE Act 2.0 loosens this restriction** and allows employers to provide ‘de minimis financial incentives’ (e.g., gift cards of a modest amount) that are not paid for with plan assets. The statute does not include any guidance on what constitutes a ‘de minimis financial incentive,’ which presumably will be left to guidance from the Internal Revenue Service (IRS).” – Dec 2022 – Morgan Lewis

HELPING MILITARY SPOUSES GET ACCESS TO RETIREMENT PLANS

“Secure 2.0 creates tax credits for small businesses that let military spouses enroll right away in their plan and qualify for immediate vesting of any employer matches.” – Dec 2022 - CNBC

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WITHDRAWALS

“Reliance on Employee Certification of Hardship: Effective for plan years after the date of enactment of SECURE Act 2.0, absent actual knowledge to the contrary, plans will be permitted to rely on a participant’s self-certification for deemed hardship events enumerated in the hardship regulations that the participant is eligible for a hardship withdrawal from a 401(k) or 403(b) plan or an unforeseeable emergency distribution from a governmental 457(b) plan. This simplifies the current structure under which the employer can rely on a participant’s self-certification as to the amount necessary to address the hardship but not their certification regarding the existence of the deemed hardship event itself.

Penalty-Free Withdrawals from Retirement Plans for Cases of Domestic Abuse: Effective for distributions made after December 31, 2023, plans can permit participants who self-certify that they have experienced domestic abuse within the past year to withdraw a portion of their retirement plan account (the lesser of \$10,000 as indexed for inflation or 50% of the participant's account). A withdrawal made pursuant to this provision is not subject to the 10% tax on early distributions and the participant has the opportunity to repay the withdrawn amount over a three-year period.

Penalty-Free Withdrawals for Individuals with Terminal Illnesses: Effective for distributions after the date of enactment, retirement plan distributions made to a participant who is otherwise eligible for a distribution and is ‘terminally ill’ (as certified by a physician) will not be subject to the 10% tax on early distributions. The distribution can be repaid under rules similar to those for qualified birth or adoption withdrawals.” - Dec 2022 – Morgan Lewis

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HIGHER CATCH-UP CONTRIBUTIONS

“Starting January 1, 2025, individuals ages 60 through 63 years old will be able to make catch-up contributions up to \$10,000 annually to a workplace plan, and that amount will be indexed to inflation. (The catch-up amount for people age 50 and older in 2023 is currently \$7,500.)

One caveat: **If you earn more than \$145,000 in the prior calendar year, all catch-up contributions at age 50 or older will need to be made to a Roth account in after-tax dollars.** Individuals earning \$145,000 or less, adjusted for inflation going forward, will be exempt from the Roth requirement.

IRAs currently have a \$1,000 catch-up contribution limit for people age 50 and over. Starting in 2024, that limit will be indexed to inflation, meaning it could increase every year, based on federally determined cost-of-living increases.” – Dec 2022 – Fidelity

BOOST HOW MUCH CAN BE PUT IN A QUALIFIED LONGEVITY ANNUITY

“Currently, the maximum that can go into a QLAC is either \$135,000 or 25% of the value of your retirement accounts, whichever is less. Secure 2.0 eliminates the 25% cap and increases the maximum amount allowed in a QLAC to \$200,000.” – Dec 2022 – CNBC

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RAISE THE REQUIRED MINIMUM DISTRIBUTIONS (RMDs) AGE

“The age at which owners of retirement accounts must start taking RMDs will increase to 73, starting January 1, 2023. The current age to begin taking RMDs is 72, so individuals will have an additional year to delay taking a mandatory withdrawal of deferred savings from their retirement accounts.” The Secure Act 2.0 “will also push the age at which RMDs must start to 75 starting in 2033.” – Dec 2022 – Fidelity

PENALTY FOR MISSING RMD CUT IN HALF

“Starting in 2023, the steep penalty for failing to take an RMD will decrease to 25% of the RMD amount not taken, from 50% currently. The penalty will be reduced to 10% for IRA owners if the account owner withdraws the RMD amount previously not taken and submits a corrected tax return in a timely manner.” – Dec 2022 – Fidelity

EXCESS ANNUITY PAYMENT CAN BE APPLIED TO NEXT YEAR RMD

“And beginning immediately, for in-plan annuity payments that exceed the participant's RMD amount, the excess annuity payment can be applied to the following year's RMD.” – Dec 2022 – Fidelity

QUALIFIED CHARITABLE DISTRIBUTIONS (QCDs) ONE-TIME GIFT COUNTS TOWARD RMD

“Beginning in 2023, people who are age 70½ and older may elect as part of their QCD limit a one-time gift up to \$50,000, adjusted annually for inflation, to a charitable remainder unitrust, a charitable remainder annuity trust, or a charitable gift annuity. This is an expansion of the type of charity, or charities, that can receive a QCD. This amount counts toward the annual RMD, if applicable. Note, for gifts to count, they must come directly from your IRA by the end of the calendar year. QCDs cannot be made to all charities.” – Dec 2022 – Fidelity

IN DEPTH - SECURE ACT 2.0 – BIG CHANGES TO RETIREMENT SAVINGS

ROTH 401(k)s ALSO EXEMPT FROM RMDs

“Unlike Roth IRAs, RMDs from an employer-sponsored plan are required for Roth [401(k)] accounts until tax year 2024.” – Dec 2022 – Fidelity

“In the bill, **Roth 401(k) plans would also be freed of mandatory distributions starting in 2024.**” – Dec 2022 – Forbes

MATCHING FOR ROTH ACCOUNTS

“**Employers will be able to provide employees the option of receiving vested matching contributions to Roth accounts** (although it may take time for plan providers to offer this and for payroll systems to be updated). Previously, matching in employer-sponsored plans were made on a pre-tax basis. Contributions to a Roth retirement plan are made after-tax, after which earnings can grow tax-free.” – Dec 2022 – Fidelity

OTHER ROTH CHANGES

“Under current law, SEP and SIMPLE retirement plans cannot have a designated Roth IRA account. In the Secure Act 2.0, participants of these plans could have the option for contributions/employer funding to be treated as Roth starting in 2023.” – Dec 2022 – Forbes

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TAX CREDITS FOR SMALL EMPLOYERS

“Under current law, employers with less than 100 employees that adopt a new retirement plan may qualify for an annual tax credit for up to three years equal to the lesser of (1) 50% of the administrative cost of establishing the plan, or (2) \$5,000. Effective for 2023, **SECURE Act 2.0 increases the percentage from 50% to 100% for employers with 50 or fewer employees and establishes a generous new tax credit for contributions made by small employers to a newly established retirement plan** (other than a defined benefit plan). The new tax credit will be a set percentage of the amount contributed by the employer for employees up to a per-employee cap of \$1,000 (but contributions to employees with compensation in excess of \$100,000, as indexed, are not taken into account). The set percentage is 100% for the year the plan is established and the following year, 75% for the third year, 50% for the fourth year, 25% for the fifth year, and 0% thereafter. The full amount of the new tax credit would be available to employers with 50 or fewer employees but phases out for employers with 51 to 100 employees.” – Dec 2022 – Morgan Lewis

UNIFORM 401(k) ROLLOVER RULES

“If you've ever tried to take money out of an old employer plan, you were likely frustrated with the opaque and antiquated process. **The Secure Act 2.0 would try to modernize the direct rollover process by requiring the Treasury Secretary to standardize the process using sample forms.** Unfortunately, this may not be finalized until 2025.” – Dec 2022 – Forbes

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PERIODICALLY PROVIDE PAPER BENEFIT STATEMENTS

“Effective for plan years beginning after December 31, 2025, a paper benefit statement must be furnished once per year for an individual account plan and at least every three calendar years for a defined benefit plan, unless the plan follows the DOL's electronic delivery rules or the participant or beneficiary requests that the statements be provided electronically.” – Dec 2022 – Morgan Lewis

ESTABLISHMENT OF RETIREMENT SAVINGS LOST AND FOUND

“SECURE Act 2.0 directs the establishment of an online searchable database, within two years of enactment, that will allow a participant or beneficiary to search for contact information for plan administrators of plans in which the participant or beneficiary may have a benefit. Plans will be required to share information with the DOL to be included in the database.” – Dec 2022 – Morgan Lewis

CONCLUSION

“There is a LOT to unpack in Secure Act 2.0 in the days, weeks, and months to come. And keep in mind, Congress makes the laws but often, the IRS must interpret and apply them. As seen this year with the confusion about the inherited IRA rules and RMDs, it sometimes takes a while to sort everything out.” – Dec 2022 – Forbes

IN-DEPTH TOPICS LOCATED ON THE COUNTY AUDITOR'S WEBPAGE

5G Network	4 th Qtr 2018	Natural Gas – U.S. Exports	4 th Qtr 2019
Afterpay	4 th Qtr 2020	Negative Interest Policy	2 nd Qtr 2016
Alibaba	3 rd Qtr 2017	New Silk Road	2 nd Qtr 2017
Bitcoin	4 th Qtr 2016	Non-Fungible Tokens	1 st Qtr 2021
Cashless Society	4 th Qtr 2017	Pandemic – Impact	1 st Qtr 2020
Chatbots	1 st Qtr 2019	Quantitative Easing	1 st Qtr 2016
Deep Sea Mining	3 rd Qtr 2020	Repurchase Agreements	3 rd Qtr 2019
EV Supply Chain	3 rd Qtr 2022	Secure Act - Retirement	4 th Qtr 2022
Facial Recognition	1 st Qtr 2018	Series I Bonds	1 st Qtr 2022
IRS - Online Platforms	2 nd Qtr 2022	Small Business Reorg Act	2 nd Qtr 2020
Labor Participation Rate	4 th Qtr 2015	Texas Imports and Exports	2 nd Qtr 2018
Libra, Calibra, Facebook	2 nd Qtr 2019	Universal Postal Union	3 rd Qtr 2018
Lumber Prices Soaring	4 th Qtr 2021	Vehicle Shortage	2 nd Qtr 2021
Money Market Reform	3 rd Qtr 2016		

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