

The State of Virginia is implementing a mandatory state-facilitated retirement plan for all employers who meet specific criteria. The initial stages for the RetirePath program begin on July 1, 2023. We have compiled some of the essential highlights for you below.

WHAT IS IT?

RetirePath is an employer-sponsored IRA solution with automatic Roth deferrals put in place by the Commonwealth of Virginia. (Traditional IRA option is available.)

WHICH EMPLOYERS NEED TO REGISTER?

All employers in Virginia that meet the eligibility requirements below:

- Companies operating for two or more years and do not currently offer a SEP, SIMPLE or 401(k)
- Companies with 25 or more eligible employees

EMPLOYEE ELIGIBILITY

- Employees 18 years and older who work at least 30 hours a week
- Employees may opt out of the program

WHEN CAN COMPANIES REGISTER FOR RETIREPATH VIRGINIA?

- Businesses can proactively register as of July 1, 2023. The first notifications are being sent on June 20 to more than 8,000 eligible Virginia businesses.
- Employers will receive a series of emails and letters that include a unique access code, registration deadline and instructions. You can find registration and additional information at retirepathva.com.
- Virginia law requires eligible employers to register or certify their exemption with proof of their employee retirement savings plan by February 15, 2024. If businesses fail to respond before the registration deadline, they could face an annual penalty of up to \$200 per eligible employee.

INHERENT CHALLENGES WITH THE PROGRAM

All contributions will default to Roth (after-tax) IRA deferrals. However, Roth contributions have phase-outs above specific income limits. (I.E., Single filers with adjusted gross income above \$83,000 cannot make a Roth contribution and married couples filing jointly phase out at \$136,000 adjusted gross income.) It is your responsibility to determine if you qualify for the Roth option. Contributions will default to a Roth IRA; however, savers have the option to recharacterize their contributions to a traditional IRA. For assistance, contact a tax adviser.

EMPLOYER OPTIONS

Small business owners who do not already offer an employer-sponsored retirement plan have options to create customized retirement plans to meet employer and employee needs. Also, the SECURE Act 2.0 has created tax credits that can offset start-up costs and employer contributions to a retirement plan. For example, employers with less than 50 employees can receive up to \$5,000 in credits toward start-up costs. Additional credits are available to offset employer-matching contributions.

DESIGN A PLAN TO MEET YOUR BUSINESS NEEDS.



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