Some Changes Are Coming for 401(k)s

Take note of them for 2019.

Some notable developments are about to impact 401(k) plans.
They follow a major change that became effective in 2018. Thanks to the Tax Cuts & Jobs Act, workers who borrow from 401(k) accounts and leave their jobs now have until October of the following year to repay plan loans.[1]

The Internal Revenue Service has eased the rules on 401(k) hardship distributions.
Plan participants who arranged such withdrawals in 2018 (and years prior) paid an opportunity cost. The Internal Revenue Code barred these employees from making periodic contributions to their 401(k) accounts for six months after the withdrawal, and it also prevented them from exercising any stock options for that length of time.[2]

In 2019, some flexibility enters the picture. The Bipartisan Budget Act of 2018 (passed in February) allows plan sponsors to remove both of those restrictions in 2019, if they wish.[2]

Some fine print worth noting: The BBA also permits plan sponsors to give employees more sources for hardship withdrawals. In 2019, plan participants may take hardship distributions from their 401(k) account earnings, qualified non-elective employer contributions (QNECs), and qualified matching contributions (QMACs) in addition to elective deferral contributions, discretionary employer profit-sharing contributions, regular matching contributions, and earnings on contributions made before December 31, 1988.[2]

In 2018 and years prior, a plan participant could only take a hardship distribution after taking a loan from his or her 401(k) account. Next year, plan sponsors can waive this requirement, if they choose, and let their employees take hardship withdrawals from 401(k)s without a loan first.[2]

Lastly, annual contribution limits for 401(k) accounts are rising.
An employee can put up to $19,000 into a 401(k) in 2019, up from $18,500 in 2018. The annual limit on "catch-up" contributions, allowed for plan participants aged 50 or older, remains at $6,000.[3]

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Citations.

1 - forbes.com/sites/ashleaebeling/2018/01/16/new-tax-law-liberalizes-401k-loan-repayment-rules/ [1/16/18]
2 - pillsburylaw.com/en/news-and-insights/recent-and-upcoming-changes-to-401k-plans.html [3/8/18]
3 - nytimes.com/2018/11/09/your-money/401k-contribution-limits-raised-irs.html [11/9/18]