We will discuss the New SECURE Act at the January session. We will help members communicate this information with clients starting with the **1st Quarter Tax Report** and the **2020 Outlook Workshop** (to be released on or before late January).

Since we are getting a lot of questions, here is some **preliminary information for advisor knowledge only.**

The SECURE Act Becomes Law in December 2019

The **Setting Every Community Up for Retirement Enhancement (SECURE) Act**, passed in late December 2019. It includes many bi-partisan reforms that were designed to increase access to workplace plans and expand retirement savings. This retirement legislation also includes policy changes that will impact defined contribution (DC) plans, defined benefit (DB) plans, individual retirement accounts (IRAs) and 529 plans.

One of the most impactful provisions of the SECURE Act is the "death" of the stretch IRA as an estate planning tool for most non-spousal beneficiaries. Another notable change is the RMD age moved from 70½ to 72. A third is allowing anyone with earned income the ability to contribute to an IRA after age 70½. There are several other provisions that advisors should be aware of and we will cover these and planning opportunities created by the SECURE Act throughout the year.

Please note that the new rules will only apply to IRAs inherited after the January 1st, 2020 effective date. All existing inherited IRAs are grandfathered in under the old rules.

Our goal is to help you navigate major tax law and retirement planning changes. To do so, we have provided information on some of the more frequently asked questions we are receiving. At our sessions and throughout the year, we will review some of the key changes included in the SECURE Act. A number of these provisions will be subject to interpretations from the Internal Revenue Service or other authorities. As always, clients should consider consulting with their personal tax advisor regarding their specific situation.

SECURE Act Information

What is the SECURE Act?

The **S**etting **E**very **C**ommunity **U**p for **R**etirement **E**nhancement **(SECURE)** Act is a bipartisan retirement bill that was included in a larger legislative package. It was passed by the House of Representatives on December 17, 2019 and by the Senate on December 19, 2019. The bill increased access to retirement plans and also includes some reforms to DC Plans, DB plans, IRAs and 529 plans. It also had provisions that affect retirement plan holders.

When does this new law become effective?

Open Multiple Employer Provisions (MEP's) will be effective January 1, 2021, but most of the other provisions in the law become effective January 1, 2020.

How will this Impact IRAs?

I inherited an IRA or am a beneficiary. How will the SECURE Act affect me?

For anyone who inherited an IRA from an original IRA owner who passed away prior to January 1, 2020, no changes to your current distribution schedule are required. However, for situations where the original IRA account owner passes away after December 31, 2019, fewer beneficiaries will be able to extend distributions from the inherited IRA over their lifetime. Many will instead need to withdraw all assets from the inherited IRA within 10 years following the death of the original account holder. Exceptions to the 10-year distribution requirement include assets left to a surviving spouse, a minor child, a disabled or chronically ill individual, and beneficiaries who are less than 10 years younger than the decedent.

How will the changes to inherited IRA distributions affect my retirement planning?

This new inherited IRA distribution period change will require some investors to reevaluate their retirement and/or estate planning strategies. Surviving spouses and a few other beneficiaries may qualify for exemptions to the 10-year rule, however, many inheritors will be required to draw down assets at a more rapid timeframe than required under the current rules. This starts on January 1, 2020. Please remember that anyone who inherited an IRA from original account owner who passed away prior to January 1, 2020, can still continue their current distribution schedule.

Will the trust I set up as an IRA beneficiary still work as intended?

New laws and rules always require investors to review their trusts for updates and relevance. With the passage of the SECURE Act, owners of retirement plans should review their beneficiary and contingent beneficiary strategies. Trusts set up to stretch out IRAs may no longer be applicable or even necessary. We will cover this and other strategies at our sessions.

How does the new law change Required Minimum Distributions (RMDs)?

This new law increases the age at which an individual must begin taking required minimum distributions (RMDs) from 70½ to 72. The Act states that this change applies beginning with IRA account owner who will attain age 70½ on or after January 1, 2020. This was in response to the fact that Americans are currently working and living longer. Congress updated RMD rules to reflect changes in life expectancies.

I turned the age of 70½ in 2019, do I still need to take an RMD in 2020?

The Act states that the beginning RMD age is shifted to age 72 for those who reach the age of 70½ starting in year 2020. This would mean that those who reached the age of 70½ in 2019 would need to continue to take RMDs in 2020. Although there is always a possibility that the IRS may provide further guidance on this point, as of December 2019, this is the rule.

What is the impact of the Secure Act to contribution rules for traditional IRAs?

The law permanently removes the age limit at which an individual can contribute to a traditional IRA. Today, an individual cannot contribute after age 70½ (ROTH IRAs have no age limit). The SECURE Act allows anyone that is working and has earned income to starting in 2020 contribute to a traditional IRA regardless of age.

What is the provision in the new law that affects distributions upon the birth or adoption of a child?

Upon the birth or adoption of a child, the law permits an individual to take a "qualified birth or adoption distribution" of up to $5,000 from an applicable eligible defined contribution plan or IRA. This distribution is not subject to the 10% early withdrawal penalty.

Other Important Legislation

Did the SECURE Act change 529 plan usages?

Under a provision in the SECURE Act, tax advantaged 529 plans will be allowed to help pay off qualified student loan repayments (up to $10,000 annually).

We could put together pages of additional information about the Secure Act. We will review this new legislation and PROACTIVE planning ideas for your clients at our sessions and throughout 2020.

Thank you and we look forward to Session 1 in January!