

The SECURE Act

The final weeks of 2019 brought the second major piece of tax legislation in the past 24 months, as the SECURE Act (The Setting Every Community Up for Retirement Enhancement Act), which was passed in the House over the summer, finally made its way through the Senate and was signed into law by the President. The legislation may have significant repercussions for individuals engaged in retirement and estate planning.

Below we have highlighted the key provisions:

- ▣ **RMDs Will Start at age 72, not 70 ½:** Starting January 1, 2020, the new law pushes the age at which you need to start withdrawing money from your traditional IRA retirement accounts to age 72 from age 70 ½. If you turned 70 ½ in 2019, you will still need to take your Required Minimum Distribution (RMD) for 2019, no later than April 1 of 2020. If you are currently receiving RMD's because you are over age 70 ½, you must continue to take RMD's. Only those who turn 70 ½ in 2020 (or later), may wait until age 72 to being taking required distributions.
- ▣ **Qualified Charitable Distributions:** The SECURE Act does *not* change the age at which an individual can make a Qualified Charitable Distribution from their IRA, which remains at age 70 ½ and now creates a unique one or two year window where IRA distributions may qualify as charitable contributions, but *not* as RMDs (that haven't yet begun).
- ▣ **You Can Contribute to Your Traditional IRA After Age 70 ½:** Beginning in your 2020 tax year, the law will allow you to contribute to your traditional IRA in the year you turn 70 ½ and beyond, provided you have earned income. You still may not make 2019 (prior year) traditional IRA contributions if you are over 70 ½.
- ▣ **Inherited Retirement Accounts (biggest change!):** Upon death of the account owner, distributions to individual beneficiaries who have inherited a retirement account from a decedent must be made within 10 years and can no longer be "stretched" over the beneficiary's life expectancy (often 30+ years). There are exceptions for spouses, disabled individuals, and individuals not more than 10 years younger than account owner.
- ▣ **Adoption/Birth expenses:** Allows penalty-free withdrawals of up to \$5,000 per child from retirement plans for birth or adoption expenses if done within one year of the date of birth/adoption.



We plan to send a more comprehensive overview of the SECURE Act in January, highlighting its' retirement and estate planning opportunities and challenges. In the meantime, please let us know if you have any questions or if you would like to discuss your situation (804-325-1450).