

TRUSTS & BENEFICIARIES

The SECURE Act: How Will It Affect You?

The Setting Every Community Up for Retirement Enhancement (SECURE) Act was signed into law on December 20th by President Trump. It represented the most significant legislation affecting retirement plans to be enacted in over a decade and was designed to increase retirement savings by modernizing and expanding regulations.

Many of the SECURE Act provisions became effective January 1, 2020, however, there are some transitional measures in place to allow certain retirement plans to continue to operate in their current form as they work to comply with new requirements.

The Act's final provisions were expected as the legislation enjoyed bipartisan support and had been discussed since the House of Representatives passed its version of the bill last spring.

There are thirty new or revised provisions of the Act, here are some of the key elements:

▶ **THE MAXIMUM AGE FOR TRADITIONAL IRA CONTRIBUTIONS, FORMERLY 70.5, IS ELIMINATED;**

Beginning in 2020, you can contribute to your IRA as long as you have earned income.

▶ **REQUIRED MINIMUM DISTRIBUTION (RMD) WILL START AT AGE 72, NOT 70 1/2.**

Money needs to be withdrawn from traditional IRAs or employer tax deferred accounts such as 401(k), 403(b), 457s at age 72. This shift is to reflect updated life expectancies.

▶ **THERE ARE PENALTY FREE WITHDRAWALS AVAILABLE FOR INDIVIDUALS IN CASES OF BIRTH OF A CHILD OR ADOPTION;**

Penalty-free, up to \$5,000, apply to each parent as long as they both have separate accounts in their own names to withdraw from.

▶ **529 PLANS MAY BE USED TO RETIRE STUDENT DEBT;**

Up to \$10,000 in income-tax-free 529 distributions can be used to cover qualified student loan principal or interest payments.

▶ **LONG-TIME, PART-TIME WORKERS ARE NOW ELIGIBLE TO PARTICIPATE IN EMPLOYER-SPONSORED PLANS;**

Employees must work at least 500 hours in three consecutive 12-month periods to be eligible.

▶ **THERE ARE TAX CREDITS AVAILABLE TO EMPLOYERS THAT CREATE PLANS WITH AUTOMATIC ENROLLMENT;**

Up to \$500 in income tax credit, for up to three years, if employers add automatic enrollment to their plan.

▶ **IT IS NOW EASIER FOR SMALL BUSINESSES TO ESTABLISH 401 (K) PLANS IN WHICH THEY CAN AUTOMATICALLY ENROLL WORKERS IN "SAFE HARBOR" RETIREMENT PLANS;**

▶ **TERMINATION OF 403 (B) PLANS IS SIMPLIFIED;**

▶ **QUALIFIED PLANS ARE NOW PROHIBITED FROM MAKING LOANS VIA CREDIT CARD-TYPE VEHICLES;**

If loans are borrowed through credit cards or similar arrangements they will be taxable distributions, not tax-free loans.

▶ **EMPLOYERS ARE ENCOURAGED TO INCLUDE ANNUITIES IN THEIR PLAN OFFERINGS TO PROVIDE REGULAR, LIFELONG INCOME STREAMS; AND**

▶ **THE END OF THE 'STRETCH IRA.' IRAS THAT PAY TO NON-SPOUSAL BENEFICIARIES WILL NEED TO BE FULLY DISTRIBUTED 10 YEARS AFTER THE DEATH OF THE ORIGINAL ACCOUNT OWNER.**

This applies to any beneficiaries of someone who dies after the end of 2019.



Robert J. Tyler, Jr.

Chief Fiduciary Officer

The need to increase retirement savings is well documented. The SECURE Act is intended to promote retirement savings by offering incentives in the forms of tax credits, simplification of requirements, and elimination of restrictions. To ensure that you take advantage of the provisions of the new law, please consult your Wealth Advisor.

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