The SECURE Act

Retirement Account Updates

CAPITAL ADVISORS

The Setting Every Community Up for Retirement Enhancement (SECURE) Act has been signed into law. This new piece of legislation has several impactful changes for those nearing retirement age or in retirement now. Here are the major changes created by the new law:

- **Age for Required Minimum Distributions (RMDs) changed to age 72**

  RMD age has been pushed back from 70½ to age 72. This allows individuals to leave assets in their IRAs and 401ks longer, which can provide tax deferred growth. If you turn 70½ in 2019, you will still need to take your RMD for 2019 no later than April 1, 2020. If you are currently receiving RMDs, because you are over age 70½, you must continue taking these RMDs. Only those who will turn 70½ in 2020 or later may wait until age 72 to begin taking required distributions.

- **Contributions to IRAs over 70½**

  Individuals can continue to contribute to IRAs after the age of 70½ if they have earned income. The ability to contribute to IRAs over the age of 70½ allows those still in the workforce to save more for retirement. This provision is effective 1/1/2020. Qualified Charitable Distributions are still allowable for IRA owners at age 70½.

- **Inherited Retirement Accounts**

  Non-spouse beneficiaries of inherited IRAs must distribute the full IRA balance by the end of year 10 after the death of the IRA owner. This change may result in high tax consequences for beneficiaries and can have a negative impact regarding legacy purposes. There are some exceptions. The 10-year distribution requirement does not apply to the following beneficiaries: spouse, disabled or chronically ill person, or someone fewer than 10 years younger than the IRA owner. Minor children also have an exception, but only until they reach the age of majority. Effective for IRAs which are inherited on or after 1/1/2020.

- **Expanded penalty free distributions**

  The SECURE Act allows up to $10,000 to be distributed from 529 plans to pay student loans. It also allows for new parents to make $5,000 in penalty free distributions from IRAs or 401ks in order to offset the cost for qualified delivery or adoption expenses.

The SECURE Act also provides provisions to encourage business owners to provide retirement plans to their employees. In general, the passage of the Act will allow more savings and more tax deferred growth for IRA owners. However, the limitations to Stretch IRAs may result in a need to revisit financial and estate plans.

Source: https://WaysandMeans.house.gov

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