

# Time to Shift Course?

## The SECURE Act and its impact on your retirement planning



The Setting Every Community Up for Retirement Enhancement (SECURE) Act is bipartisan retirement legislation that was signed into law on December 20, 2019. The SECURE Act represents the most significant legislative change to the United States retirement system in over a decade and several of the Act's IRA-related provisions could impact you:

### Required Minimum Distribution (RMD) age increasing to 72

The age 70½ trigger for taking a RMD is raised to age 72 for individuals who attain age 70½ after 2019. Under the effective date, an individual who attains age 70½ in 2019 will need to take RMDs for 2019 and 2020, even though he or she may not attain age 72 until 2021. However, an individual who turns age 70 ½ in 2020 will not be required to take an RMD until he or she turns age 72, which could be in 2021 or as late as 2022.

### Stretch IRA restrictions

The Act provides that, upon the death of an IRA owner or defined contribution plan participant, the designated beneficiary is required to draw down his or her entire inherited interest within 10 years. The 10-year rule does not apply to any portion payable to a surviving spouse, who would be allowed to "stretch" the post-death distributions over life or a period not exceeding their life expectancy. There are also different rules for minors and disabled beneficiaries. These restrictions apply to deaths after 2019.

### Post-70½ contributions to traditional IRAs

The Act repeals the current prohibition on contributions to traditional IRAs after the owner attains age 70½ as long as the owner has earned income in excess of the contribution amount. This change is effective for taxable years beginning after 2019. The age restriction will still apply to 2019 tax year contributions made on or before April 15, 2020, but not to 2020 tax year contributions.

### Penalty-free distributions upon the birth or adoption of a child

The Act permits a defined contribution plan participant or IRA owner to withdraw up to \$5,000 tax penalty-free upon the birth or adoption of a child for distributions after 2019. This provision adds to an existing list of penalty-free distributions already allowed.



Talk with your financial advisor today for a no-cost retirement planning evaluation and the potential impact of the SECURE Act.

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