A PIECE OF MIND

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THE SECURE ACT

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In December of last year, the Setting Every Community Up for Retirement Enhancement Act of 2019, better known as the SECURE Act, was signed into law. This Act tweaks rules related to tax-advantaged accounts—like an IRA. It also aims to encourage more employers to offer retirement plans by reducing expenses and making plans easier to administer.

"With [the] passage of this bill, the House made significant progress in fixing our nation's retirement crisis and helping workers of all ages save for their futures," Rep. Richard E. Neal (D-Mass.) said in a May statement.

What do you need to know?

There are a few points in this Act that are more likely to impact you. This is by no means the full scope of the Act, but the items we feel most relevant to our clients.

Required Minimum Distribution starting age increased to 72

A Required Minimum Distribution (RMD) is the amount of money that must be withdrawn from a non-Roth IRA by the account owner when they reach a certain age. If you haven't begun taking your RMD yet, you are no longer required to start taking distributions at 70 ½ . This Act raised the age RMDs are required to begin to 72 years-old. Please note that if you have already begun withdrawing from your IRA, this change does not apply to you.

Traditional IRA Contributions Age Limit repealed

People live longer these days. An increasing number of people continue to work well past "retirement age." Prior to this Act, a worker was not allowed to contribute to their IRA after 70 ½. This limitation has been lifted. As long as you are still working, you may make contributions to your IRA.

Inherited IRA Withdrawal Period extended

If you inherited an IRA from someone other than a spouse, and that account has not yet begun taking distributions, prior to this Act you were required to take the full amount of your inherited IRA within five years. This time period has been extended to ten years (except in a few specific situations, named in the next point).

Stretch Inherited IRA repealed

If you inherit a non-spousal IRA that has not started taking RMDs prior to the death of the original owner, you were required to withdraw the full amount of the account within a set time frame. Prior to this Act you had the option to "stretch" out your withdrawals based on the value of the account at the beginning of the year, and your life expectancy. The ability to take a smaller amount every year based on these factors has been removed. The full amount must be taken within ten years.

Inherited IRAs that have already been "stretched" are grandfathered and will remain intact. "Stretching" is still allowed in very specific circumstances.

- Inheritor is disabled
- Inheritor is no more than 10 years younger than owner
- Inheritor is child of the IRA owner who hasn't reached the "age of majority"
- The ability to stretch is limited to only the years before the inheritor reaches the age of majority

Got Questions? We Can Help

Anything tax related tends to cause anxiety and confusion. That's normal. When the law changes, we encourage our clients to reach out with questions. We are here to help our clients and safeguard their financial well-being.

Sources: eMoney, Investopedia, The Motley Fool, and Congress.gov

If you'd like to see how we can help you, book your free 15-minute call with us here:

https://www.hffinancial.com/refer-call/