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# The SECURE Act

## IMPORTANT UPDATES ON INDIVIDUAL RETIREMENT LAW

By

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The Setting Every Community Up for Retirement Enhancement Act of 2019 (the SECURE Act), was signed into law on December 20, 2019, by President Trump and significantly re-writes the current retirement account rules. Many people have far too few assets put away for retirement; this is exacerbated by the (happy) fact that people are living longer. To address this problem, the SECURE Act includes provisions aimed at increasing access to tax-advantaged accounts and preventing older Americans from outliving their assets.

Among other things, the SECURE Act pushes back the age at which retirement plan participants must start taking required minimum distributions (RMDs) from 70½ to 72 (if you turn 70 ½ after December 31, 2019), and allows traditional IRA owners to keep making contributions indefinitely so long as they have earned income. This is helpful for the growing number of people who are now working past age 70; they can continue making IRA contributions indefinitely and put off paying income taxes on Required Minimum Distributions that they don't need.

The SECURE Act also encourages the creation of additional retirement accounts by making it easier for small business owners to set up retirement plans that are less expensive and easier to administer and enables many part-time workers to participate in an employer retirement plan.

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How are these new provisions going to be funded? The downside of the SECURE Act changes is that while they bolster the employee or IRA owner's ability to have more retirement assets to live on during their life, it dramatically accelerates the distribution (and hence recognition of income tax) to non-spouse beneficiaries after the retirement owner's death.

Under prior law, a "Stretch IRA" allowed a beneficiary of an inherited IRA to extend distributions over the beneficiary's lifetime. Starting on January 1, 2020, most retirement accounts that are not inherited by a spouse must be fully withdrawn within 10 years after the original account owner's death. There are some exceptions to this rule, including young or disabled beneficiaries.

Everyone with retirement assets should revisit their beneficiary designations. This is especially important for anyone who has named their living trust as the beneficiary of their retirement assets.

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