SECURE Act FAQs

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The SECURE Act ("the Setting Every Community Up for Retirement Enhancement Act") was signed into law on December 20, 2019 and most of its provisions went into effect as of January 1, 2020. Highlighted below are some of those provisions.

Required Minimum Distribution ("RMD") age increases from age 70½ to 72.

How does the SECURE Act change RMDs?

The SECURE Act allows individuals to continue to save without making required withdrawals for a longer period of time. To do this, the SECURE Act increases the age in which individuals are required to begin taking distributions from age 70½ to 72 for individuals who have not turned 70½ as of December 31, 2019.

If an individual turned 70½ in 2019, how does the SECURE Act affect their RMDs?

It doesn't. The SECURE Act only affects those individuals who turn 70½ in 2020 or later. If an individual turned 70½ in 2019, they would still need to take their first RMD by April 1, 2020. If an individual turns 70½ in 2020, then they do not need to take an RMD until April 1st of the year following the year they attain the age of 72.

How could the increase in age become a benefit?

If an individual did not turn 70½ on or before December 31, 2019, then the RMD is not required to be taken until later (see above). This means that the RMD amount stays in the policy longer and taxation is deferred until the RMD is taken.

Inherited IRAs and the Elimination of the "Stretch" IRA

Beginning January 1, 2020, anyone who inherits an IRA from someone who dies in the year 2020 or thereafter will be required to draw down the assets of the inherited IRA by the end of the 10th calendar year (with some exceptions).

If an individual inherited an IRA from someone who died in 2019, is that IRA subject to the 10-year rule?

No. If the original IRA owner died on or before December 31, 2019, the current distribution schedule remains unchanged. In this instance, the beneficiary may still draw down the account over a lifetime

What are the exceptions to the elimination of the stretch IRA?

The "Stretch" period is still in place for the surviving spouse of the IRA owner, disabled or chronically ill people, people who are not more than ten years younger than the IRA owner, or a minor child of the IRA owner (but once the minor turns 18, the account must be drained within 10 years of that date).

Your tax advisor is the appropriate person to contact if you need additional information about how your financial situation may be impacted by the SECURE Act.

For additional resources or guidance, please refer to the IRS website at https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-required-minimum-distributions

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