THE SECURE ACT

HAHN LOESER 100 1920–2020

IMPACT OF THE SECURE ACT ON TAX AND RETIREMENT PLANNING

The Setting Every Community Up for Retirement Enhancement Act (SECURE Act) was signed into law on December 20, 2019 and became effective January 1, 2020. It is time to consider how the SECURE Act may affect your retirement planning and overall estate plan.

The SECURE Act affects contributions to and distributions from Qualified Plans, including: traditional and Roth IRAs, §401(k) plans, §403(b) plans, §457(b) plans, §401(a) plans, ESOPs, cash balance plans, and lump sums from defined benefit plans. The SECURE Act also impacts certain penalty-free withdrawals from Qualified Plans and allowable expenses under Section 529 Education Savings Plans. The table below provides an overview of these important changes:

	Pre-SECURE	SECURE
Age for Required Minimum Distributions (RMDs)	70 ½	For participants who attain age 70 ½ after 12/31/2019, the participant must begin taking RMDs at age 72.
Maximum Age for Traditional IRA Contributions	70 ½	No maximum age; participant can contribute as long as the participant has earned income from wages or self-employment.
Stretch IRAs	Spouse and non-spouse beneficiaries generally allowed stretch out tax deferral advantages by taking distributions over the beneficiary's life expectancy.	Most non-spouse beneficiaries (including eligible trusts) are required to fully distribute within 10 years following the participant's death (*See sidebar for exceptions*).
Retirement plan withdrawals for expenses related to birth/adoption	Plan distributions related to birth/adoption included in income; and if taken before 59 ½, subject to 10% early withdrawal penalty.	Plan distributions related to birth/adoption included in income BUT are penalty-free up to $5,000 (or $10,000 for a married couple).
Section 529 Education Savings Plans	Qualified distributions did not include registered apprencticeships or student loan repayments.	In addition to the previously allowable tax-free distributions, distributions can be made for the beneficiary's participation in an apprenticeship program AND distributions up to $10,000 can be made to pay principal/interest on an education loan of beneficiary/sibling of beneficiary.

Five Exceptions to 10-Year Distribution Rule:

1. Surviving spouse of participant
2. Minor child of participant
3. Disabled beneficiary
4. Chronically ill beneficiary
5. Beneficiary less than 10 years younger than participant

You are NOT affected by SECURE if:

1. You do not own any Qualified Plans; or
2. You plan to leave all Qualified Plans to charity.

What You Should Consider:

- ✓ Updating your personal net-worth statement
- ✓ Determining the current value of your Qualified Plans
- ✓ Reviewing beneficiary designations on all Qualified Plans