

The SECURE Act Highlights

*THE SETTING EVERY COMMUNITY UP
FOR RETIREMENT ENHANCEMENT ACT*

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EFFECTIVE: JANUARY 1, 2020

INDIVIDUALS

RMDs

Required Minimum Distributions (RMDs) beginning age is raised to 72 for those who were not 70.5 as of 12/31/2019

- » Qualified Charitable Distributions (QCDs) remain available at age 70.5
- » The deadline for the first year of RMDs can still be deferred to April 1 of the year following the initial RMD year

BENEFICIARIES

This applies to both IRAs and Roth IRAs

Beneficiaries of an IRA can no longer “stretch” the RMD over their life expectancy

- » The account balance must be depleted within 10 years of the decedent’s death for those that pass after 12/31/19
- » Exceptions would include beneficiaries who are:
 - A surviving spouse
 - Those who may be disabled or chronically ill
 - Those less than 10 years younger than the owner
 - A minor child of the decedent (until obtaining age of majority)

OTHER CHANGES

- Contributions to a traditional IRA no longer have a maximum age and are permissible past age 70.5 as long as you are working and have earned income
- \$5,000 penalty-free exception for withdrawals prior to the age of 59.5 upon the birth or adoption of a child under 18
- Expansion of what qualifies as compensation for IRA/Roth IRA purposes to include non-tuition fellowship and stipend payments
- Trusts as beneficiaries may be affected due to the SECURE Act (re-evaluation recommended)
- Allows 529 qualified distributions for registered apprenticeship programs, homeschooling, and up to a \$10,000 individual lifetime limit toward student debt for a beneficiary and their siblings
- Reverting taxation of The Kiddie Tax to the child’s parents’ marginal tax rates, with the option to use this rate for the 2019 tax year and an option to amend 2018 tax returns

SMALL BUSINESS OWNERS

- Employers’ automatic deferral cap increased from 10% to 15% of employees’ wages
- Part-time employees are now eligible to participate in retirement plans after working 1,000 hours in a 12-month period or at least three consecutive years of 500 working hours
- Reduction of employer liability for annuities as an investment option
- Reduction for requirements to establish multiple employer retirement plan and consequences of another participant’s actions
- Tax credit of \$500 for three years to businesses offering auto-enrollment to employees
- Increase in tax credit to small businesses establishing a new retirement plan to \$5,000 per year for three years

Information was obtained and collected from a variety of public resources. We believe this information provided here is reliable, but do not warrant its accuracy or completeness. It is provided for informational purposes only, and should not be construed as legal or tax advice. Laws may change pursuant to the new administration’s legislative agenda. Always consult an attorney or tax professional regarding your specific legal or tax situation.

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