

Golden Bullets

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THE SECURE ACT OF 2019 – Part 2:

THINGS TO CONSIDER

On December 20, 2019, **President Trump signed a spending package** into law, part of which included the **SECURE Act** (Setting Every Community Up for Retirement Enhancement).

We recently wrote to our clients telling them about some of the changes made by the new law. Today, we are focusing on one of those changes—specifically, the shortening of the potential stretch time for an inherited qualified account or IRA.

In 2019 and earlier, a beneficiary who inherited a qualified account had the ability to **stretch out distributions** from the account. The spreading of distributions could delay the income tax result associated with account liquidation **over the beneficiary's life expectancy**.

Beginning in 2020, when an account owners dies, most non-spouse beneficiaries are limited to stretching out distributions to a **maximum of 10 years**.

There are all kinds of **special rules** that can make beneficiary planning tricky. These exceptions to the 10-year liquidation rule apply when the beneficiaries are:

- The surviving spouse
- Minor children of the account owner
- Disabled or chronically ill individuals
- Named individuals no more than 10 years younger than the deceased account owner

When a trust is named the beneficiary of a qualified account, it can be hard to sort out how the post-SECURE Act stretch rule might be.

If you inherited a qualified account before this year, you are largely unaffected by the new stretch rules. However, if someone inherits that account from you before it is liquidated, their ability to continue to defer income taxes will be **limited to 10 years**.

The SECURE Act has created **new issues for people to consider** as they make beneficiary designations for their IRA and qualified accounts.

Do you have questions about the SECURE Act? Are you unsure about how the new rules might apply to the beneficiaries of your own IRAs or qualified accounts? We can help guide you through the changes in the law.

AS ALWAYS, PLEASE FEEL FREE TO CALL TO DISCUSS THESE OR OTHER FINANCIAL SECURITY ISSUES OF CONCERN.

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