The New Retirement Rules

The SECURE Act and What You Need to Know

Peter D Murphy, CFP®
Financial Partners

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SECURE Act
NEW RETIREMENT RULES

Challenge

The SECURE Act changes the retirement rules for **individuals** and **companies**, which means current and future retirement plans need to be reviewed and adjusted.*

*Always consult a tax professional before taking action

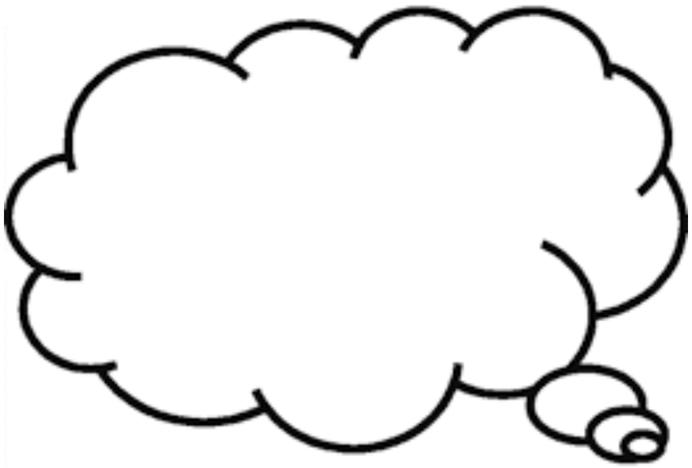
Seek professional tax guidance!

This is not meant to be tax advice. You should always consult a qualified professional tax advisor to discuss your tax situation, especially about:

- **Traditional IRAs (tax-deferred)**: You must pay taxes on distributions or conversions at ordinary federal and state rates.
- **Roth IRA (non-deductible):** Money grows tax-free and earnings may be withdrawn tax-free in accordance with IRS rules.
- **State taxes:** This presentation references federal taxes. You may still face state taxes. Check with your tax professional.

What’s the impact?

- Biggest retirement-related legislation in over a decade
- Changes impact five generations in the work and retirement worlds
- If you don’t plan ahead, you will miss out on saving opportunities and pay more in taxes than necessary.
- Government pushing businesses to do more promoting retirement savings



"I don't run a business, so how does the business aspect of the SECURE Act really relate to me?"

Key #1:
Businesses have more incentive to create retirement plans and promote greater participation by their employees.

$5,000 tax credit for small businesses starting retirement plans

New Law:

Increases the tax credit for small business retirement plan start-up costs and adds a new tax credit for new automatic enrollment plans.

Detail:

Firms with fewer than 100 workers made up 98.2% of employers, according to the U.S. Census Bureau.

401(k) auto-enrollment deferral cap boosted to 15%

New Law:

Companies that auto-enroll employees in a 401(k) plan can automatically defer up to 15% of a salary (after the first year) instead of 10%.

Detail:

Auto-enrollment is when new employees must opt out of contributing to a retirement plan rather than opting in.

Safer to offer annuities inside 401(k) plans

New Law:

Companies have more freedom to offer annuities inside 401(k) plans because the act reduces risk.

Detail:

An annuity is an insurance product used to turn savings into a lifetime income stream.*

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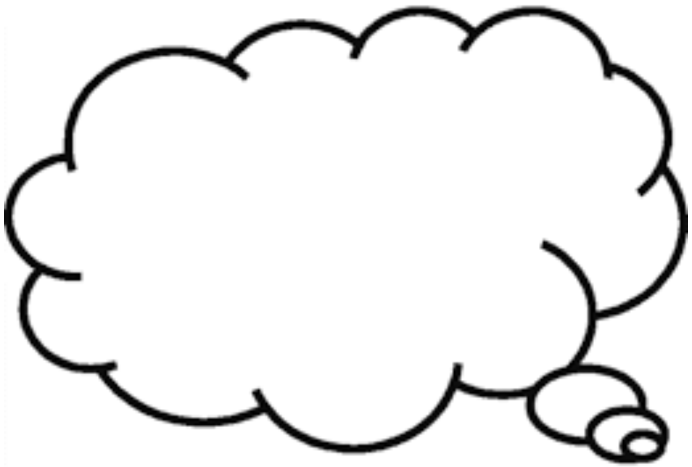
401(k) statements will include "lifetime income disclosure"

New Law:

Employee 401(k) statements must now include a "lifetime income disclosure" as opposed to the more common lump sum amount.

Detail:

The ability to see how much 401(k) savings would be translated into a monthly income stream will help savers better plan for retirement.



"What key items in the SECURE Act will specifically impact me and my plans for retirement?"

Key #2:
You now have more time to save for retirement, more ways to save, and more ways to use the funds.

No more age limits for contributing to an IRA

New Law:

Investors may continue contributing to a traditional IRA* as long as they have earned income.

Detail:

As more people continue to work past age 70 and life spans increase, it makes sense that people want to contribute to retirement accounts for a longer period of time.

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No “forced” IRA spending until 72

New Law:

Required minimum distributions (RMDs) from traditional IRAs no longer start at 70 ½. It’s now age 72.

Detail:

This gives your money 18 more months to grow tax-free. However, large IRA RMDs can have serious tax consequences.*

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401(k) plans for part-time workers

New Law:

Employers must allow part-time workers (who work at least 500 hours for 3 consecutive years or 1,000 hours throughout the year) to contribute to a 401(k).

Detail:

This is especially good news for women, who are more likely to work part-time for caregiving reasons and be behind on retirement savings.

Penalty-free IRA withdrawal for new parents*

New Law:

New parents may withdraw up to $5,000 from a retirement account for qualified birth or adoption expenses without a 10% early withdrawal penalty.

Detail:

You may still owe taxes on the money withdrawn. Each parent may withdraw up to $5,000 per child, as long as it is within one year of the birth or adoption.

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Graduate and post-doc students eligible for IRA contributions

New Law:

Stipends and non-tuition fellowship payments received by graduate and postdoctoral students can be considered “earned income” and eligible for IRA contributions.*

Detail:

This allows students to begin saving for retirement and accumulating tax-favored retirement savings.

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Use of 529 accounts to pay off student loans

New Law:

Investors may withdraw up to $10,000 from 529 education savings plans to repay student loans.*

Detail:

529 plan monies can now be used for apprenticeship programs registered with the DOL. The Tax Cuts and Jobs Act of 2017 also broadened the use of 529 plans to cover private K-12 education.

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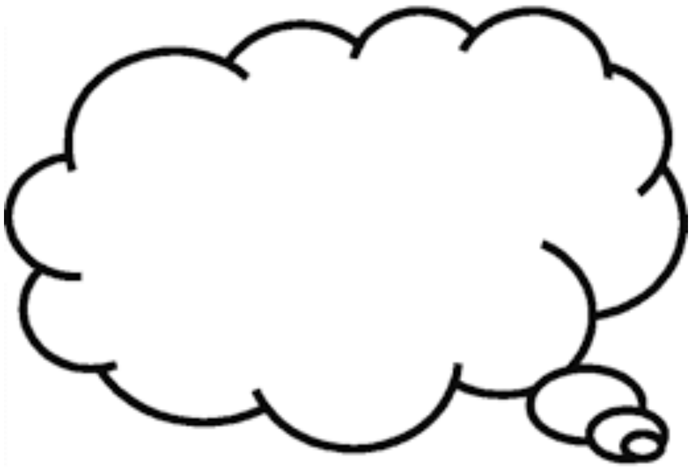
No more credit cards attached to 401(k) plans

New Law:

Retirement plan providers are prohibited from distributing loans through credit cards or similar arrangements.

Detail:

This is to ensure that plan loans are not used for routine or small purchases, thereby preserving retirement savings.



"We have large IRAs and will be comfortable in retirement. We want to leave it to the kids. Is that still allowed in the new rules?"

Key #3:
Your kids can still inherit your IRA, but they can only defer taxes for up to 10 years.

(AKA: “Death of the Stretch IRA”)

Time limit for inherited accounts, including Roth IRAs

New Law:

With certain exceptions, beneficiaries of IRAs (including Roth IRAs) must liquidate the accounts within 10 years.*

Detail:

"Stretching" the distribution of inherited accounts throughout a beneficiary's lifetime was considered a smart tax move.

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Exceptions to the new 10-year rule

- Surviving spouses
- Disabled or chronically ill beneficiaries
- Beneficiary is not more than 10 years younger than original owner
- Minor children (10-year clock starts at majority)

- Only applies to accounts inherited in 2020 or later

Lesson from "Death of the Stretch": Tax planning is more important than ever

In light of the "death of the stretch IRA," strategies to explore*:

- Consider Roth conversions
- Develop a distribution plan for your retirement accounts
- Manage your tax bracket
- Review beneficiaries, including trusts
- Create an estate plan that makes the most sense for everybody

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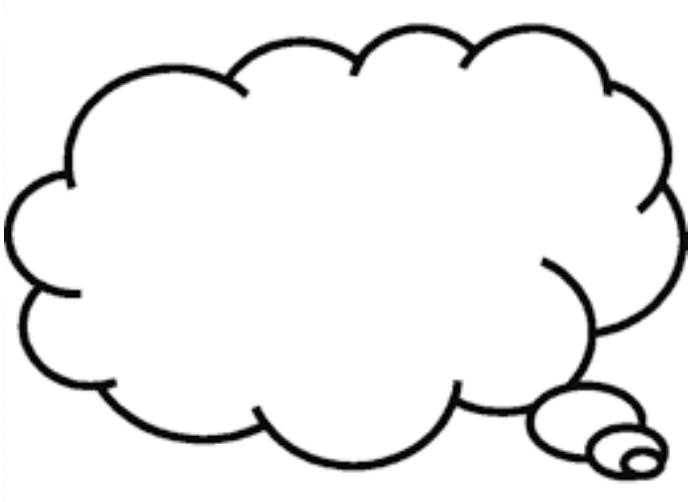

“Okay. So these new retirement rules are something I need to think about. What are my next steps?”

The SECURE Act changes the retirement rules:

- Key #1: Businesses have more incentive to create retirement plans for employees and promote participation.
- Key #2: You now have more time to save for retirement, more ways to save, and more ways to use the funds.
- Key #3: Your kids can still inherit your IRA, but they can only defer taxes for up to 10 years.

Request a retirement rules overview meeting

- You need to understand the impact these new retirement rules may have on you and take steps now to adjust your retirement strategies and estate plans.

- We can help