



Q1 NEWSLETTER

Dear Clients and Colleagues:

In this newsletter, we review the 2019 market performance and discuss significant changes to the IRA distribution rules.

2019 Market Performance¹

Stocks and bonds finished a very strong year with the S&P 500 increasing by more than 30%, its best year since 2013.

	<u>4Q2019</u>	<u>2019</u>
S&P 500	9.07%	31.49%
MSCI EAFE (Dev.Int'l)	8.17%	22.01%
MSCI EM (EmergingMrkt)	11.84%	18.42%
BBgBarc US Agg Bnd	.18%	8.72%

Trivia

Who was the first man to run 100 meters in under ten seconds?

Changes to the IRA Distribution Rules

The recently enacted Secure Act makes significant changes to the rules governing IRA accounts and employer sponsored retirement plans. The new law limits “stretch” distributions from inherited retirement accounts, pushes back the required beginning date for retirement account distributions, eliminates the age restriction on IRA contributions, and expands tax credits available for small business retirement plans. In this newsletter, we will focus on the changes to the IRA distribution rules.

¹Indices are unmanaged, and one cannot invest directly in an index. Past performance is not a guarantee of future results. MSCI EAFE Index serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia. MSCI EAFE Emerging Markets Index is a free float-adjusted market capitalization index designed to measure equity market performance in the global emerging markets. Bloomberg Barclays U.S. Aggregate Bond Index represents the US investment-grade fixed-rate bond market. S&P 500 Index is a market index generally considered representative of the stock market as a whole. The index focuses on the large-cap segment of the U.S. equities market. References to specific securities, asset classes and financial markets are for illustrative purposes only and do not constitute a solicitation, offer, or recommendation to purchase or sell a security.

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The New Ten-Year Rule

Previously, inherited IRA's could be distributed in installments over the beneficiary's expected lifetime, thus allowing non-distributed funds to continue to grow tax free. If the original beneficiary passed away before distributing the entire account, the remaining funds could be distributed to a family member continuing the tax deferral.

The Secure Act now requires that in most instances an inherited IRA be distributed in full within ten years of the original account owner's death. Beneficiaries that inherited an IRA prior to 2020 are still eligible to distribute the account over their expected lifetime but upon their death any remaining proceeds must be distributed within ten years. Of course, inherited IRA funds may be distributed in full immediately or any time prior to ten years if needed, at which time the funds will be subject to income tax.

The new rules do *not* apply to spousal IRA beneficiaries. For example, when a husband is named beneficiary of his wife's IRA account (or vice versa), the account may be transferred to the surviving spouse's own IRA and the funds may be distributed under the normal distribution rules (required minimum distributions must begin after age 72 and continue over the spouse's expected lifetime). If more advantageous, the spouse may transfer the funds to an inherited IRA account and begin distributions before age 59 ½ without penalty.

Required Beginning Date – After Age 72

Previously, distributions from IRA accounts had to begin after age 70 ½. Under the new law, distributions are not required from IRA accounts until after age 72, unless one turned age 70 ½ in 2019 in which case there are current required distributions. This allows for additional tax deferral and a longer potential window for full or partial Roth conversions, which may become more important under the new ten-year distribution rule. The new law also repeals the age limit for making IRA contributions (previously 70 ½) and now allows IRA contributions at any age for earned income.