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SECURE Act

Setting Every Community Up for Retirement Enhancement Act of 2019

Individual Retirement Accounts (IRAs) and Required Minimum Distributions (RMDs)

By

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On December 20, 2019, a new retirement bill —**Setting Every Community Up for Retirement Enhancement Act**, better known as the SECURE Act, was passed as part of the 2020 fiscal year appropriations bill.

What does this mean for you? There are several areas of the SECURE Act which will have an impact based on where you are in the Retirement Life Cycle — if you are just starting your education, new to the work force, starting a family or preparing for retirement, you may be affected by the SECURE Act.

The information provided is not meant to be advice. It is to make you aware of some of the changes that might affect you and your family. Please schedule a meeting so we can review in detail how this new law will impact your individual situation.

Individual Retirement Accounts (IRAs)

- Historically, there has been age limits to when you were no longer able to contribute to an IRA. However, under the new law, if you have earned income, then you can contribute to an IRA.
- Age may have been taken off the table as a qualifier, but income is still a factor. If income is too high to get the tax advantages from IRA contributions, options may exist with a Roth IRA.
- A new IRA rule states students in graduate or doctoral programs who are receiving stipends or other such benefits can consider these as earned income for IRA contribution purposes.
- Like the stipends for students, financial benefits received for providing Foster Care can also qualify as earned income for IRA contribution purposes.
- Individuals who are receiving the stipends and foster care payments may want to consider using the ROTH IRA since they are most likely in a lower tax bracket.

Required Minimum Distributions (RMDs)

- There have been several changes surrounding RMDs. One of the most important changes is that the **age of mandatory distributions has shifted from 70 ½ to 72.** However, anyone who is 70 ½ before December 31, 2019, is still held to the old distribution laws.
- For those who choose to wait until 72 to start taking RMDs, it is important to know there may be a "bunched distribution"— requiring a larger first year amount of your distribution. By delaying the start of the distributions, assets can possibly last longer to help fund the later retirement years.
- Another thought is, since you are starting distribution later, you will have a shorter time to take the distributions over your lifetime. This will result in larger regular payments which may have an impact on things like, taxability of Social Security income, Medicare income related monthly adjustments or even put you in a higher tax bracket.

Consult with your financial, tax and legal advisors to ensure your goals can still be accomplished under the new laws.

Sources include: Congressional Research Service/Library of Congress - www.loc.gov, Wealth Management - www.wealthmanagement.com, National Association of Enrolled Agents - www.naea.org, Kiplinger - www.kiplinger.com

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