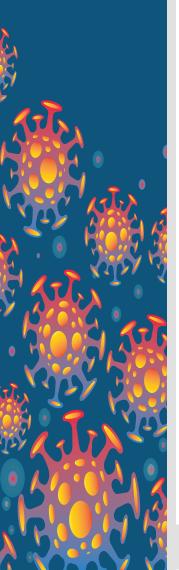




RPC NEWS

Special Edition
COVID-19
Newsletter



Will the SECURE Act Affect Your Retirement Planning?

The Setting Every Community Up for Retirement Enhancement Act of 2019 (the SECURE Act) was signed into law on December 20, 2019. The Act will likely impact large numbers of working Americans as well those already retired. In general, the Act is intended to increase access to tax-advantaged retirement plans and to help prevent older Americans from outliving their assets.

Here are some of the changes that could affect your planning.

Delayed Deadline for Taking Required Minimum Distributions

Tax law has generally required individual retirement account (IRA) owners and retirement plan participants to begin taking required minimum distributions (RMDs) from their accounts once they reach age 70½. The new law pushes back the age at which these distributions must begin to age 72 for IRA owners and plan participants born on or after July 1, 1949. This change allows individuals to take advantage of their retirement account's tax-deferred nature for a longer period.

No Age Limit for Making Traditional IRA Contributions

Beginning with the 2020 tax year, the new law eliminates the 70½ age limit for making annual contributions to traditional IRAs. This is a plus for those people who continue to work past age 70½ and want to keep saving for retirement on a tax-deferred basis.

Penalty-Free Birth and Adoption Distributions

The new law also expands the exceptions to the 10% penalty for early withdrawals from IRAs and other tax-deferred retirement plans by adding an exception for "qualified birth or adoption distributions" up to \$5,000. The new law defines a "qualified" birth or adoption distribution as a withdrawal from an IRA or other eligible retirement plan made during the one-year period beginning on the date the IRA owner's or the plan participant's child is born or the adoptee's adoption is finalized. If desired, parents may replenish their retirement savings by repaying the amount distributed.

Restrictions on Stretch IRAs

The new law places severe restrictions on the use of "stretch" IRAs. A stretch IRA generally permitted beneficiaries to take their RMDs from

an inherited IRA over their life expectancy. Thus, beneficiaries were able to stretch payments from the inherited IRA over many years and potentially pass on the inherited IRA to their own beneficiaries. The SECURE Act changes the RMD rules for beneficiaries of IRA owners (and plan participants) who pass away in 2020 or later. Under the SECURE Act, the use of stretch IRAs is restricted to a limited group of IRA beneficiaries. The specific details on who is eligible to use stretch IRAs is complex, and IRA owners who base their estate plans on the use of a stretch IRA should consult with a financial professional to see how they might be impacted.

Small Business Retirement Plans

Good news if you own a small business -- the SECURE Act provides incentives to make it easier for you to establish a retirement plan. Starting in 2020, eligible employers that establish a 401(k) or SIMPLE IRA plan with automatic enrollment may qualify for a new tax credit of \$500 per year for up to three years. In addition, the existing credit for small employer plan startup costs has increased to as much as \$5,000 per year for three years. Previously, the annual credit maximum was \$500. Employers also have more time to establish a qualified retirement plan. Previously, a qualified plan, such as a profit sharing plan, had to be adopted by the last day of the employer's tax year to be effective for that year. The SECURE Act allows a qualified plan to be adopted as late as the employer's tax filing deadline (plus extensions).

Your financial and tax professionals can provide more details about these and other important SECURE Act changes and how they may affect your retirement planning.

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The SECURE Act: Easier and More Flexible Ways to Save for Retirement

The SECURE Act helps more people save more for retirement.

Americans are woefully unprepared for retirement. As survey after survey has shown, the average person is simply not saving enough to provide for a comfortable retirement. That's what legislation signed into law in late December 2019 aims to address.

The SECURE Act (Setting Every Community Up for Retirement Enhancement Act of 2019) contains a number of different provisions designed to make plans more accessible and flexible for savers and easier for small businesses to form and administer. Many provisions of the SECURE Act take effect on January 1, 2020.

Below is a summary of the legislation's most significant changes and how they will help more Americans save more for retirement.

Access for part-time employees.

The new rules permit most long-term, part-time workers to participate in their employer's retirement plan if they have worked at least 500 hours per year for three consecutive years. Additionally, employers would not be required to make employer contributions for these participants.

Longer time to contribute.

Although Roth individual retirement accounts (IRAs) have no contribution time limit, contributions to traditional IRAs have not been permitted after you reach age 70½. The legislation repeals this age limit so that people working past age 70½ can contribute to both types of IRA if they wish.

Later required minimum distributions (RMDs).

Previously, plan participants and traditional IRA owners were generally required to start withdrawing a minimum amount from their retirement savings each year once they reach age 70%. The new rules increase this age to 72, allowing savers to enjoy tax-deferred compounding even longer. For those who turned 70% in 2019, the old rule applies. Your first RMD will be for 2019 (due by April 1, 2020), and each subsequent RMD must be taken by year-end.

Penalty-free withdrawals for birth or adoption of child.

This change allows plan participants to withdraw

up to \$5,000, penalty free, from their plan accounts following the birth or adoption of a child. Withdrawn amounts can later be recontributed to the plan tax free, subject to certain requirements.

Improved portability of lifetime income.

For participants whose plan gives them a lifetime income investment option -- typically an annuity -- the legislation gives them the ability to either keep the annuity or roll it into an IRA or other qualified plan in the event that the annuity option is removed from the plan's investment lineup. The annuity does not have to be liquidated and the guarantees can be preserved, allowing greater portability.

No more "stretch" IRAs for non-spouse beneficiaries.

Previous rules allowed most IRA beneficiaries to "stretch" RMDs from an inherited account over their own lifetimes. The new rules continue this feature for spouses, but non-spouse beneficiaries will need to take distributions within 10 years of the IRA owner's death. There are some exceptions to the general rule, however, if the beneficiary is a minor, disabled, chronically ill, or not more than 10 years younger than the deceased IRA owner.

Multiple employer plans (MEPs).

The legislation allows employers to combine forces with other unrelated employers to form a MEP. This provision is aimed specifically at small businesses that otherwise could not offer a 401(k) to their employees due to their high administrative costs.

A number of additional provisions target small businesses, making it easier to start and administer a retirement plan. These include tax credits and other changes intended to reduce the amount of paperwork and costs associated with creating and maintaining a retirement plan.

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