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Growing Wealth Responsibly

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SECURE Act

Setting Every Community Up for Retirement Enhancement Act of 2019

Non-Spousal Stretch IRAs

By

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On December 20, 2019, a new retirement bill called the **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 may 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 intended to make you aware of some of the changes that might affect you and your family. Please schedule a meeting and we can review in detail how your individual situation may be impacted.

Non-Spousal Stretch IRA

In the past, non-spousal beneficiaries of inherited Retirement Accounts had three options. They could 1)take out the inheritance all at once (big tax bill), 2) spread the withdrawals out over 5 years (lesser tax bill) or 3) take the distributions over the remainder of their life (least amount of tax). The last option of spreading the distribution out over the lifetime of the beneficiary was called a Stretch IRA.

Under the SECURE Act, there have been a few changes:

- ◊ You can still take all the money out at once. This strategy can lead to a larger than necessary tax bill. The option of taking the money out over a five-year window has been changed. You will now have to withdraw all the funds from an inherited IRA before the 10th year following the death of the account holder. The option to spread the distributions over the life of the beneficiary has gone away.

- ◊ Under the SECURE Act, "Eligible Designated Beneficiaries (EBD)" are still allowed to take the life distribution. EBDs include spouses, those who are disabled or chronically ill, 10 years or less in age of the decedent or minors. Minors can only enjoy the lifetime distribution until their 18th birthday, then they have 10 years to withdraw the funds.

- ◊ This means people should pay careful attention to how they are leaving monies to their beneficiaries. One should consider possible ROTH conversions before leaving it to heirs to avoid future tax. Another consideration could be how trusts are structured to protect against heirs who can't manage money on their own.

Speak with your legal, tax and financial 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