Monday, December 23, 2019

# The SECURE Act Brings Changes for Retirement Savers

The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019, which includes the most comprehensive changes to the U.S. retirement system in more than a decade, was passed by Congress and signed into law last week.

Last week, as a part of the government's spending bill, Congress passed—and the president signed into law—legislation that includes the most comprehensive changes to the U.S. retirement system in more than a decade. The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 is a combination of several bills that were introduced in the last Congress and carried bipartisan support.

While many features of this new set of laws are targeted at helping Americans save for retirement at work, several provisions directly affect individuals' retirement savings, effective January 1, 2020. For example, provisions of the SECURE Act that affect individuals include:

- **Pushing back required minimum distributions (RMDs) from individual retirement accounts (IRAs) and 401(k)s from age 70 1/2 to 72.** Previously, IRA and 401(k) account holders were required to begin taking required distributions based on life expectancy from their accounts starting in the year that they turned 70 1/2. The SECURE Act delays the age at which retirement account holders must take RMDs to 72. That means that those not inclined to take distributions can push back both their distributions and the resulting tax consequences a bit longer.

*Please note: Retirement account holders who turned 70 1/2 in 2019 are still required to take an RMD.*

- **Eliminating the age cap for IRA contributions.** Prior to passage of the SECURE Act, Americans weren't allowed to make IRA contributions after age 70 1/2—even if they had earned income. The SECURE Act eliminates the age cap to allow continued tax-deferred savings in recognition of increasing life expectancies and longer working lives.

- **Forcing faster withdrawals from inherited IRAs.** The new legislation still allows spouses to treat an inherited account as if it belonged to them. However, non-spouses must take a full payout from an inherited IRA within 10 years of the original account holder's death. This provision eliminates the stretch IRA, a popular tax and estate planning concept, for the heirs of account holders who die in 2020 and later.

- **Penalty-free distributions for birth or adoption.** The SECURE Act allows IRA account holders to take up to a $5,000 distribution penalty-free as a "qualified birth or adoption distribution" within one year of the birth or adoption.

The changes brought about by the SECURE Act will create tax-saving opportunities or complications for many Americans, so you should seek the advice of your tax and financial advisors, who can guide you based upon your personal facts and circumstances.

For more information, please contact your CAPTRUST financial advisor.