

The SECURE Act

UPDATE

The Setting Every Community Up for Retirement Enhancement Act, better known as the SECURE Act, became law on December 20, 2019.

The new rules are effective for plan years beginning January 1, 2020 and includes several important changes to the Qualified Plan and IRA landscape. We further distinguish the impacts on individuals and business owner markets.

Features that impact individuals:

The Stretch IRA

Inherited IRAs must now be paid out over 10 years (some exceptions apply).

Delayed Required Minimum Distribution

Required Minimum Distribution (RMD) does not have to begin until age 72, unless you are already taking RMDs or had turned 70½ prior to 1/1/2020, you would still be covered under the old rules and would be required to start taking RMDs.

Contributions to IRAs

There is no age limit, you can contribute to an IRA at any age if you have earned income and are eligible to contribute.

Penalty Free Withdrawals at Childbirth/Adoption

Distribution for the birth or adoption of a child of up to 45,000 per child from qualified retirement plan. Such a withdrawal must be taken during the 1-year period beginning on the date on which a child of the individual was born or on which the adoption was finalized.

Features that impact business owners:

Access Improved for Multiple Employer Plans* (MEPs)

Unrelated companies can now band together to create a MEP.

Annuities & 401(k) Plans

Encourages including annuities in retirement plans by limiting fiduciary liability.

Long-Term Part-Time Workers & 401(k) Eligibility

Employers are generally required to offer access to employees who have worked 500+ hours for more than three years.

Qualified Plan Adoption

Employers may adopt plan effective as of the last day of the taxable year prior to the filing date for such taxable year.

*A Multiple Employer Plan (MEP) is a plan maintained by two or more employers who are not related under: IRC 414(b) (controlled groups), IRC 414(c) (trades or businesses under common control), IRC 414(m) (affiliated service groups).

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