

The SECURE Act and Its Impact on You.



The Setting Every Community Up for Retirement Enhancement (SECURE) Act includes reforms to retirement plans, Individual Retirement Accounts (IRAs) and 529 college savings plans. The SECURE Act includes many provisions designed to make saving for retirement easier and more accessible.

SECURE Act Highlights

- Increases the Required Minimum Distribution (RMD) age from 70½ to 72
- Allows Individuals to contribute to IRAs beyond age 70½
- Changes the rules for inherited "Stretch" IRA distributions
- Allows penalty-free distributions of up to \$5,000 from retirement accounts for the birth or adoption of a child
- Offers more options for lifetime income strategies
- Changes In-Service Distribution Rules for 457(b) Plans
- 529 Plans Can Be Used to Pay Student Loans

Below is a summary of key retirement provisions of the SECURE Act and how they may impact you.

You Can Delay Taking Required Minimum Distributions (RMDs) Until Age 72

- Today people are working longer and life expectancies have increased
- The new law increases the age for Required Minimum Distributions from age 70½ to age 72 beginning with calendar year 2020.

Tip: The IRS may provide additional guidance on RMDs, but generally, if you turned age 70½ in 2019 and have already begun taking your RMDs, you should continue to do so. If you are turning 70½ in 2020, you may want to consult with your financial advisor about your plans.

You Can Contribute to IRAs Beyond Age 70½

- As Americans live longer, an increasing number continue employment beyond traditional retirement age.
- The law allows individuals age 70½ or older to continue to contribute to IRAs beyond age 70½ as long as they are still working.

Tip: This change applies to tax year 2020 contributions.

There are Changes in Rules for Inherited IRAs

- Previously, if you inherited an IRA or 401(k), you could “stretch” your distributions and tax payments out over your single life expectancy.
- Under the new law, inherited IRA beneficiaries will be required to withdraw assets from an inherited IRA or 401(k) plan within 10 years following the death of the account holder.
- Exceptions include assets left to a surviving spouse, a minor child, a disabled or chronically ill beneficiary, and beneficiaries who are less than 10 years younger than the original IRA owner or 401(k) participant.

Tip: Be sure to talk to your Financial Advisor. You may need to reevaluate your retirement and financial planning strategies.

You Can Access Your Savings, Up to \$5,000, Penalty-Free for the Birth or Adoption of a Child

- If your plan offers lifetime income investments, or annuities, they can now be rolled over to other retirement plans. This change will help you preserve your savings and avoid surrender charges and fees.
- The 10% early withdrawal penalty will not apply to these withdrawals but they are still subject to ordinary tax rates.

Tip: This provides access to your savings for important life events.

You Can Rollover Lifetime Income Options, or Annuities, to Other Retirement Plans

- If your plan offers lifetime income investments, or annuities, they can now be rolled over to other retirement plans that also offer annuities. This change will help you preserve your savings and avoid surrender charges and fees.

Tip: Be sure to consult with your Financial Advisor before taking a distribution from your retirement plan.

529 Plan Funds Can Now be Used to Pay Down Student Loan Debt, Up to \$10,000

- Many families use a combination of income, 529 plan savings and student loans to pay for college.
- In some cases, families have money remaining in their college savings plans after their student graduates. Now, they can use a 529 savings account to pay up to \$10,000 in student debt over the course of the student’s lifetime.
- Under the new law, a 529 plan may also be used to pay for certain apprenticeship programs.
- 529 plan distributions can also be used to cover up to \$10,000 of annual qualified expenses to attend public, private, or religious elementary or secondary schools.

Tip: If your 529 plan(s) have money left over after paying for college expenses, consider using any remaining funds to pay down student loans.

You Can Access Your 457(b) and Money Purchase Plan Account at Age 59½

- As part of another bill attached to the SECURE legislation, if you participate in a 457(b) plan or a Money Purchase plan, you may now take an in-service withdrawal at age 59½. Previously the age for in-service withdrawals from 457(b) plans was 70½, and 62 for 401(a) money purchase pension plans.

Pentegra Can Help You Understand How SECURE Impacts You

We’re here to help. Feel free to contact our team at 866-633-4015 or email us at customerservice@pentegra.com.