IT'S YOUR LIFE

How the SECURE Act Could Change Your Retirement Planning

By now, you may have heard about the new SECURE (Setting Every Community Up for Retirement Enhancement) Act. Passed at the end of 2019, this legislation contains a number of provisions intended to help strengthen your retirement security. Here are some of the changes that may impact your situation, either now or in the future.

- In 2020, the age at which required minimum distributions (RMDs) from retirement accounts must be taken has been increased from 70½ to 72. The failure to comply with the required minimum distribution requirements could result in a 50 percent penalty.
- The maximum age for contributions to a traditional IRA (previously 70½) has been repealed. As a general rule, individuals may continue to contribute to traditional IRAs as long as they are still working and have earned income.
- "Stretch IRAs," which allowed the beneficiary of an inherited account to take distributions over their life expectancy (and spread tax liability over time) have largely been eliminated. New rules govern the timeline under which beneficiaries must withdraw the balance of an inherited IRA or 401(k) plan — in most cases, 10 years. However, certain exceptions may apply to your unique circumstances.
- Small-business owners with up to 100 employees may be eligible for a tax credit for starting a retirement plan, such as a SEP or SIMPLE plan. Additional credits may be available if the plan includes automatic enrollment.
- Other changes in the law may allow parents to take penalty-free withdrawals of up to $5,000 (per parent) from a defined contribution plan, such as a 401(k) or IRA, upon the birth or adoption of a child.

If you want to learn more about the SECURE Act and how it may apply to you or your business's situation, contact your accountant or attorney for additional information.

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