Addendum: for use with ExamFX online securities courses and study guides, applies to SIE and Series 6, 7, 65, 66, 26, 24. Changes are effective January 1, 2020.

Traditional IRA Distribution Rules

The maximum age limit for contributions to a traditional IRA has been repealed. According to the SECURE Act of 2019 *(Setting Every Community Up for Retirement Enhancement),* beginning January 1, 2020, anyone who has earned income may **contribute to a traditional IRA, regardless of age**. The previous rule prohibited traditional IRA owners from contributing after age 70½.

For those individuals who turned 70½ in 2019, the first RMD will have to be taken by April 1, 2020. However, according to the new rule, those who turn 70½ in 2020 and beyond will not be required to take their RMD for 2 years, that is, until they reach 72. If the first RMD is taken in April, the individual will have to take a second RMD by December 31 of the same year; every year, thereafter, the RMD must be taken by December 31. Failure to take an RMD results in a **50% tax penalty** levied on the amount of the required distribution that was not taken. Distributions can be received in a lump sum or as periodic payments by a number of methods. If periodic distributions do not begin until age 72, the amount received must pay out at least as fast as a schedule (IRS actuarial life expectancy table), which theoretically would reduce the account to zero by the time the retiree dies.

IRAs – Penalty-Free Premature Distributions – *addition to the existing bullet list*

- **Childbirth or adoption** expenses up to $5,000.

IRA Distributions after the Owner's Death

At the IRA owner's death, the beneficiary may cash in the IRA. Taxes will be due, but the early withdrawal 10% penalty will NOT apply. If the deceased owner was under the age of 72, and had not begun taking required minimum distributions yet, the beneficiary:

- Must **withdraw** the funds by the **end of the 5th year** following the owner's death; or
- May **roll the funds** into his or her own IRA or employer-sponsored qualified plan, such as a 401(k), subject to the following required minimum distribution (RMD) rules:
    - RMDs are based on the **life expectancy** of the beneficiary if the beneficiary is one of the following:
        - **Surviving spouse**;
        - Minor child of the owner;
        - Disabled or chronically ill;
        - Not more than 10 years younger than the deceased owner.

- For **non-spouse heirs**, the funds must be distributed by the **end of the 10th calendar year** following the year of the owner's death. In other words, non-spouse heirs may not stretch out RMDs from inherited retirement accounts over their own life expectancies. However, anyone who inherited an IRA from an account owner who passed away prior to January 1, 2020, can continue their current distribution schedule.

529 Education Plans

The SECURE Act of 2019 expanded the definition of qualified higher education expenses to include registered apprenticeships and qualified student loan repayments. The loan repayment provisions apply to repayments up to $10,000 per individual, which is a lifetime amount.