Financial Insights

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The SECURE Act: What you need to know…

The ***Setting Every Community Up for Retirement Enhancement (SECURE) Act*** was signed into law on December 20th, 2019. Overall, these reforms will lead to an increase of access to workplace retirement plans and expand retirement savings. The legislation will also have an impact, amongst others, on defined contribution plans, defined benefit plans, individual retirement accounts, and 529 plans.

Here are some of the ***key highlights*** in the plan that may impact you:

Starting Age for Required Minimum Distributions

Increases the age that a participant in a retirement plan or an IRA owner must begin taking ***required minimum distributions from 70 ½ to 72***. This is valid for individuals who attain age 70 ½ after December 31, 2019. This applies to 401(a), 401(k), 403(b), 457(b) plans and IRAs.

Required Minimum Distributions for Inherited IRAs

This requires that certain beneficiaries receive the inherited IRA or plan assets within 10 years, ***limiting the ability to stretch distributions*** over their lifetime. This does not apply to surviving spouses, minor children, disabled or chronically ill beneficiaries, and beneficiaries not more than 10 years younger than the deceased.

Annuity Access in Retirement Plans

Rules have been eased around lifetime income products allowing for better access to more offerings for participants. If a lifetime income investment will no longer be authorize as a plan investment, participants may be ***permitted to roll the investment out of the plan to another eligible plan or IRA***, or received their investment as a distributed annuity contract – even if otherwise ineligible to take a distribution.

Eligibility Restrictions Improved

Employees allowed to make salary deferral contributions after completion of either one year of service (with at least 1,000 hours of service) or ***three consecutive years of service with at least 500 hours*** of service in each year.

For a more in depth breakdown of the new law, view more here.

Should any of these topics impact you, contact us or a tax professional today to learn more!

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