**Call us:**
866-CREATIVE

**Email us:**
cpi@creativeplanning.com

**Visit us online:**
www.creativeplanning.com

DECEMBER 2019

# What the SECURE Act Means for You

Jeffrey Stolper
CPA, CFP®
Director of Financial Planning

The Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) includes numerous changes that, if enacted, will impact most of our clients in some way. At this writing, the bipartisan legislation has passed the House and is nearing a Senate vote.

## Here are some of the key provisions, and how they may impact you.

***Major IRA changes are coming. The maximum age of 70 ½ for traditional IRA contributions would be repealed. Additionally, the beginning age for required mandatory distributions (RMDs) would increase from 70½ to 72.***

**What this means for you:** Congress is catching up with increases in life expectancy. The 70½ age limit was established in the early 1960s and has not been revisited. As time has passed, we are living longer. While the maximum contribution age would be repealed for IRAs, an individual who wants to contribute to an IRA still must have earned income. The increased age at which distributions must begin will allow for further deferral of distributions and more potential tax-deferred compounding. However, there will still be situations where it makes sense to take distributions before required by law.

...THE MOST SIGNIFICANT CHANGES SEEN FOR RETIREMENT PLANS IN AT LEAST TEN YEARS

***The SECURE Act includes several provisions that would increase Federal revenue. The first impacts required minimum distributions after the death of an original retirement account owner. In general, distributions to individuals other than a surviving spouse would have to be distributed by the end of the tenth year following the account holder's death.***

**What this means for you:** This change could significantly increase the amount of income recognized annually from inherited IRA distributions. The lifetime "stretch

IRA" option would disappear. Careful tax planning can help maximize tax efficiency under shorter distribution periods. Unfortunately, this is likely to be a very negative outcome for many.

---

***Under the SECURE Act, small employers will receive an increased credit for retirement plan start-up costs. The credit is being increased to incent small employers to establish retirement plans. The bill also seeks to increase employee participation by creating a new tax credit for 401(k) and SIMPLE IRA plans that include automatic enrollment provisions. The bill expands retirement plan participation eligibility by including long-term, part-time workers.***

**What this means for you:** If you own a business and don't now offer a retirement plan, 2020 might be a great time to start one. The intent of these provisions is to make it more affordable for an employer to begin a retirement plan and encourage more of their employees to participate.

---

***Retirement plan sponsors will be required to provide participants with benefit statements that illustrate a lifetime annuity income benefit.***

**What this means for you:** This piece of the legislation was widely supported by the insurance industry. Annuities are not appropriate for everyone despite the increased awareness that will result from new rules. We typically don't recommend annuities for clients who wish to leave estate assets to family or charities. In today's low interest rate environment, fixed annuities provide a lower return than historical equity market returns. And, annuities are structured in a way that often makes it difficult to determine the actual cost of the contract. Before moving forward with any decision to utilize an annuity inside a retirement plan, contact your Wealth Manager for further discussion to determine if it is the right selection for you.

---

***The SECURE Act includes a change for 529 college saving plans: 529s could be used for qualified student loan repayments, costs associated with registered apprenticeships and homeschooling.***

**What this means for you:** Contributions to 529s should still be coordinated with other gifting, but the expanded uses of 529 assets would further the appeal of this savings vehicle.

**Call us:**
866-CREATIVE

**Email us:**
cpi@creativeplanning.com

**Visit us online:**
www.creativeplanning.com

***Two other provisions seek to increase Federal revenue by increasing penalties for failure to file tax returns. The first is for failure to file an individual tax return. The second is for failure to file retirement plan returns.***

**What this means for you:** In addition to ensuring that your tax return is filed accurately, using a CPA can help keep you on schedule for required filing dates. If you historically have found it difficult to file on time, consider hiring a professional to prepare your return.

---

The SECURE Act would enact some of the most significant changes seen for retirement plans in at least ten years. Some are positive changes while others are negative, but all come with opportunities to plan. We are here to make sure you are taking advantage of the opportunities presented and help implement a plan that will enhance your financial future, and will keep you up to speed on all changes that ultimately become law.

**Call us:**
866-CREATIVE

**Email us:**
cpi@creativeplanning.com

**Visit us online:**
www.creativeplanning.com