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The House Ways and Means Committee recently passed the Setting Every Community Up for Retirement Enhancement Act of 2019 (the SECURE Act). This bill includes a number of measures designed to strengthen retirement savings. While the bill has not yet made it through the Senate, the SECURE Act is a proposal worth watching.

We see plenty of good news in the proposal. The SECURE Act would remove the prohibition on traditional IRA contributions for those age 70 ½ and over. This change would give more people the opportunity to leverage the benefits of a traditional IRA. The SECURE Act would also increase the age when required minimum distributions must begin from 70 ½ to age 72. As a result, retirement savings could continue to grow longer on a tax-deferred basis.

While there is much to like, the proposal does generate some bad news too. Most notably, the SECURE Act would essentially do away with the "stretch IRA". A stretch IRA is an estate planning strategy that extends the tax-favored status of an inherited IRA when it is passed to a non-spouse beneficiary. Under the proposed bill, non-spouse beneficiaries would be forced to distribute their qualified inheritance within ten years of the IRA owner's death. Congress has long believed retirement accounts are for retirement and should not be employed as an estate planning vehicle.

The Senate is also focusing on retirement savings with another bill that might reduce the payout for non-spouse beneficiaries to only five years. If either version is passed, life insurance will emerge as a better, more tax-efficient planning vehicle, in which the life insurance proceeds can be left to either a child or trust to simulate a stretch IRA.

We will be following this proposed legislation very carefully given the far-reaching implications it could have on many of our clients.

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