

RETIREMENT LEGISLATION PASSES:

WHAT YOU NEED TO KNOW

In December 2019, Congress passed a spending bill that contains major changes to retirement plans. The bipartisan legislation is designed to provide more incentives to save for retirement.

The Setting Every Community Up for Retirement Enhancement (SECURE) Act changes the law surrounding retirement plans in several ways:

- **Stretch IRAS.** The biggest change eliminates "stretch" IRAS. Under current law, if you name anyone other than a spouse as the beneficiary of your IRA, the beneficiary can choose to take distributions over his or her lifetime and to pass what is left onto future generations (called the "stretch" option). The required minimum distributions are calculated based on the beneficiary's life expectancy. This allows the money to grow tax-deferred over the course of the beneficiary's life and to be passed on to his or her own beneficiaries. The SECURE Act requires beneficiaries of an IRA to withdraw all the money in the IRA within 10 years of the IRA holder's death. In many cases, these withdrawals could take place during the beneficiary's highest tax years, meaning that the elimination of the stretch IRA is effectively a tax increase on many Americans. This provision will apply to those who inherit IRAs starting on January 1, 2020.
- **Required Minimum Distributions.** Currently, you must begin taking distributions from your IRAs beginning when you reach age 70 ½. Under the new law, individuals who are not 70 ½ at the end of 2019 can now wait until age 72 to begin taking distributions.
- **Contributions.** The legislation allows workers to continue to contribute to an IRA after age 70 ½, which is the same as rules for 401(k)s and Roth IRAs.
- **Withdrawals.** The legislation would allow an early withdrawal of up to \$5,000 from a retirement account without a penalty in the event of the birth of a child or an adoption. Currently, there is a 10 percent penalty for early withdrawals in most circumstances.