

Retirement Planning Update

Although we are still in the midst of winter, spring is on its way. It is important to remember upcoming April deadlines for retirement contributions and required minimum distributions (RMDs), but there have also been some recent developments that may impact your retirement planning.

IRS Proposed Regulations for Required Minimum Distributions

In 2020, the Setting Every Community Up for Retirement Enhancement (SECURE) Act created a ten-year payout rule for most inherited retirement assets, such that the account must be fully withdrawn by the end of the calendar year that includes the tenth anniversary of the date of the participant's death. Although many initially believed that no RMDs were required in years one through nine following the death of the plan participant, in February 2022, the Internal Revenue Service (IRS) issued proposed regulations clarifying that RMDs are, in fact, required each year during the ten-year period under many circumstances. This caught many beneficiaries by surprise, especially those who opted not to take distributions in 2021 or 2022 in good faith based on the information they had.

However, on October 7, 2022, the IRS issued Notice 2022-53, which states that the IRS will not penalize beneficiaries for not taking those RMDs. However, beneficiaries will have to ask for a refund of any excise tax already paid; the IRS will not automatically reimburse it. This relief applies only for the 2021 and 2022 distribution calendar years. In contrast to the February 2022 proposed regulations, which stated that the final regulations would apply to 2022 and later distribution calendar years, Notice 2022-53 also indicated that any final regulations issued by the IRS regarding required minimum distributions will apply no earlier than the 2023 distribution calendar year.

The proposed regulations also clarify the age of majority under the SECURE Act: the child of an employee with an individual retirement account is considered to have reached the age of majority on the child's twenty-first birthday. However, defined benefit plans that have used a pre-Secure definition of majority may continue to use that definition.

SECURE 2.0 Act

On December 29, 2022, President Biden signed the \$1.7 trillion omnibus spending bill, which included the SECURE 2.0 Act of 2022. SECURE 2.0 increases the age at which individuals must begin taking RMDs from retirement plans from 72 to 73 starting on January 1, 2023, if they reach age 72 after December 31, 2022. Starting on January 1, 2033, for individuals who reach age 74 after December 31, 2032, the date at which RMDs must be taken is increased to age 75. The original SECURE Act, passed in late 2019, increased the age at which individuals must begin taking required minimum distributions from 70 ½ to 72 starting in 2020.

SECURE 2.0 also allows a surviving spouse to elect to be treated as the deceased employee for purposes of the RMD rules, effective for calendar years after December 31, 2023. As a result, if you are a surviving spouse and your deceased spouse was younger than you, you

should consider making the election to delay the date at which RMDs must begin, allowing additional time for tax-deferred growth of your retirement account.

In addition, SECURE 2.0 increases the amount of tax-advantaged contributions older workers can make as they approach retirement age and expands opportunities for retirement savings for longer term part-time workers. You may be able maximize the growth of your retirement accounts by taking advantage of these new opportunities.

The retirement planning landscape has been evolving over the past several years, and we are committed to keeping you up to date on the latest developments and how they will impact your estate plans.