

IRA SECURE ACT of 2020

The SECURE (Setting Every Community Up for Retirement Enhancement) Act was signed into law on December 20, 2019 as part of the broader FCAA (Further Consolidated Appropriations Act of 2020). Many of the SECURE Act's provisions took effect on January 1, 2020. Below are some of the major highlights and changes that will affect IRA owners and their beneficiaries.

New age for Required Minimum Distributions (RMDs)

The age when RMDs from Traditional IRAs must generally begin is increased from age 70 ½ to age 72. If you already turned age 70 ½ by the end of 2019, then RMDs cannot be delayed under the new rule.

Old Rule (RMD @ 70 ½) – Birthdate on or before June 30, 1949

New Rule (RMD @ 72) – Birthdate after June 30, 1949

Traditional IRA Owners can now contribute after age 70 ½

The average American works well past the normal retirement age, so this change allows them to continue contributing to their retirement and taking advantage of any tax deductions.

New distribution requirements for non-spouse IRA beneficiaries

For IRA owner deaths in 2020 or later, most non-spouse beneficiaries of IRAs will generally be required to distribute inherited amounts within 10 years. In the past, beneficiaries could spread their death distributions over their life expectancies. Basically, this speeds up distributions to increase federal revenue. Non-spouse beneficiaries of account owners who die on or after January 1, 2020 are subject to the new rule with certain exceptions.

Change to the allowable age for contributions

Taxpayers with earned income can make Traditional IRA contributions at any age, not just the years before reaching 70 ½ which was the previous requirement.

We expect further guidelines will be forthcoming from the IRS in the near future. Please feel free to contact us at 888-484-8328 if you have questions, or seek the guidance of your financial advisor and/or tax accountant.

