

## IRAs and Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019

A major piece of legislation affecting tax, estate, and charitable planning was passed into law at the end of 2019. Highlights of this major change in the rules related to retirement plans, including tax and philanthropic considerations, are summarized below. \*

**IRA owners who turn 70 ½ after January 1, 2020, now have until age 72 to start taking required minimum distributions (RMDs). Those who turned 70 ½ before January 1, 2020, are subject to the old rules.**

**Planning Opportunities:**

- Longer window to consider Roth IRA conversions and deductible retirement plan contributions.
- Qualified Charitable Distribution (QCD) age remains 70 ½ for direct giving from your IRA to charity (up to \$100,000 per year per IRA owner).

**Planning Example:**

Debbie is retired and turned 70 on January 15, 2020. She may now postpone her first IRA RMD until April 1, 2023, allowing additional years to consider Roth IRA conversions. She can still begin making QCDs from her IRA to charity after July 15, 2020 (age 70 ½).

**The “Stretch IRA” provision has been eliminated and replaced with a 10-year inherited IRA distribution rule for most non-spouse beneficiaries. In general, the IRA must be distributed to non-spouse beneficiaries by the end of the year of the 10<sup>th</sup> anniversary of the IRA owner’s passing. IRAs inherited before January 1, 2020 are subject to the previous rules.**

**Planning Opportunities:**

- For those with substantial retirement plan assets, it is critical to review IRA beneficiary designations to ensure they align with your planning objectives.
- Trusts as beneficiaries of IRAs will be impacted – specifically conduit trusts as well as other trusts.
- Inherited Roth IRA distributions will still be tax-free but also subject to the 10-year distribution rule. The new law does not require **annual** withdrawals.
- Charitable Remainder Trusts (CRTs) may be used to “preserve the stretch” for income beneficiaries while benefiting charity.
- Traditional IRAs have become less tax efficient and thus charities as outright IRA beneficiaries in one’s estate plan should be considered.

**Planning Example:**

An elderly IRA owner has a \$1 million IRA and other substantial assets. The IRA owner’s daughter is affluent and in her prime earning years. The IRA owner establishes a CRT, naming her daughter as income beneficiary of the trust for her lifetime, with the remainder going to the IRA owner’s favorite charities. Depending on the situation, the present value of the lifetime payouts to the daughter could be much greater than the value of the IRA passing to her outright under the new 10-year distribution rule for inherited IRAs.

*\*This list is not considered to be all inclusive and does not represent tax or legal advice. Please consult with a qualified professional regarding your specific circumstances.*