

# How the SECURE Act could affect your retirement plans

## First half 2020 birthday example\*:

Turn 70 in spring 2020 and 70½ in December 2020

### New rule: SECURE Act

Under the SECURE Act, this person must take their first RMD by April 1, 2023 – the April 1 following their 72nd birthday in 2022. They receive two extra years because of the bill.

### Former rule

Under the former rule, this person would have had to take their first RMD by April 1, 2021 – the April 1 of the year following their 70½ birthday in 2020.

## Second half 2020 birthday example\*:

Turn 70 in fall 2020 and 70½ in spring 2021

### New rule: SECURE Act

Under the SECURE Act, this person must take their first RMD by April 1, 2023 – the April 1 following their 72nd birthday in 2022. They receive one extra year because of the bill.

### Former rule

Under the former rule, this person would have had to take their first RMD by April 1, 2022 – the April 1 of the year following their 70½ birthday.

\*The Coronavirus Aid, Relief and Economic Security Act (the CARES Act) suspended the need to take an RMD in 2020.



The **Setting Every Community Up for Retirement Enhancement Act** — the SECURE Act — was signed into law Dec. 20, 2019. Many provisions took effect January 1, 2020. The SECURE Act retirement planning changes that are most relevant in the near term include:

- A later age for required minimum distributions (RMDs): age 72 from 70½ previously
- A change to the IRA stretch strategy for non-spouse beneficiaries who inherit retirement accounts
- Elimination of the 70½ age limit for workers who contribute to a traditional IRA

### Required minimum distributions

The SECURE Act increases the RMD age from 70½ to 72 and applies to anyone who turns 70½ in 2020 or later.

If you don't need income from your retirement plan or IRA accounts, the SECURE Act enables you to defer taxes from those accounts. If you want to work longer, the later RMD age provides more time for retirement-income planning.

#### Additional details

- Due to the Coronavirus Aid, Relief and Economic Security Act (the CARES Act), signed into law on March 27, 2020, RMDs have been suspended for 2020.
- If you will turn 70½ in 2020 or later: Under the SECURE Act, you must take your first RMD by April 1 after the year you reach age 72.

### IRA stretch strategy in estate plans

Prior to the SECURE Act, beneficiaries who inherited retirement accounts (such as a traditional or Roth IRA) could take the RMDs over their lifetime. The SECURE Act changes that financial strategy for most non-spouse beneficiaries who inherit their retirement account on or after January 1, 2020.

As a result:

- Most non-spouse beneficiaries must take the account proceeds (and pay the corresponding taxes) within 10 years of inheriting the account. This can be done with any number of distributions.
- Spouse beneficiaries, non-spouse beneficiaries who are no more than 10 years younger than the IRA owner and non-spouse beneficiaries who are disabled or chronically ill will continue to be able to stretch their IRAs over their lifetime.

- If a minor child inherits the IRA, the 10-year period begins when the beneficiary reaches the age of majority (the age at which a minor child legally becomes an adult, generally between 18–21 years old).
- A beneficiary who inherited an individual retirement account before the end of 2019 can still draw down the account over their lifetime. However, if a beneficiary inherited an IRA before the end of 2019 and dies January 1, 2020, or later, that beneficiary's beneficiary will be subject to the 10-year rule. For example:
  - Allen's son, Joe, inherits Allen's IRA on Nov. 12, 2015. Joe takes RMDs over Joe's life expectancy.
  - On Feb. 12, 2020, Joe dies. Joe's spouse, Fran, inherits the remainder of the IRA Joe inherited from Allen. Fran must take out the remainder of the IRA within 10 years.

### Traditional IRAs

The SECURE Act eliminates the 70½ age limit for contributions to a traditional IRA.

- There is no change for Roth IRAs, which do not have an age limit.
- As always, you must have earned income to contribute to a traditional or Roth IRA. The SECURE Act does not change that requirement.
- Special rules apply to ensure individuals who make contributions after age 70½ cannot also receive a qualified charitable distribution (QCD) exclusion for those amounts.

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\*In U.S. dollars as of December 31, 2019. Source: Ameriprise Q4 Earnings Release. Contact us for more current data.

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CT-MK/**115437 A (04/20)** M5P2/3055110