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A look at the new SECURE Retirement Act

While most of us were enjoying the holidays, our friends in Washington were busy tinkering with traditional Individual Retirement Accounts (IRAs). The new Setting Every Community Up For Retirement Enhancement (SECURE) Act is the broadest piece of retirement legislation passed in 13 years. Ultimately, the law focuses on retirement planning in three key areas: 1) modifying required minimum distributions (RMDs); 2) increasing lifetime income options in retirement plans, and 3) expanding retirement plan access. All of these changes are already in effect.

Required Minimum Distributions

The year in which a taxpayer must begin minimum distributions is now the calendar year in which they turn 72 rather than 70 ½. This means if you haven't yet started taking your RMD you can let your retirement funds grow an extra year and one-half. Before the SECURE Act, if you had money in a traditional Individual Retirement Account (IRA) or an employer-sponsored retirement plan and were retired, you were required to start making withdrawals at age 70 ½. Now if you were not yet 70 ½ by the end of 2019 tax year you do not have to take an RMD until you are 72. Pushing back the RMD start date gives you additional time to allow your IRAs and 401(k)s to grow without being depleted by distributions and taxes.

Increased Savings Opportunities

Americans are working and living longer, so why not let them contribute to an IRA longer? Under the old rules, a taxpayer was no longer eligible to contribute to a traditional IRA once the individual hit the year in which they turned 70 1/2. Under the SECURE Act, you may contribute to a traditional IRA so long as you have earned income, regardless of age, even if you are already taking RMDs. If you were over 70 1/2 and had earned income in 2019 you are not eligible to make prior year contributions for tax year 2019 but may do so going forward.

Another SECURE Act provision will make it easier and less expensive for small business owners to set up retirement plans for employees. The new rule will let businesses band together to offer what are called Multiple Employer Plans (MEPs).

Stretch Provisions for your Beneficiaries

Now for some bad news: The SECURE Act eliminates the current rules that allow non-spouse IRA beneficiaries to "stretch" required minimum distributions (RMDs) from an inherited account over their lifetime (and potentially allow the funds to grow tax-free for decades).

In the past, if a traditional IRA was left to a beneficiary, that person could, in most cases, stretch out the RMDs over their life expectancy, essentially “stretching” out the tax benefits of the retirement account. With the new law, most IRA beneficiaries will now have to distribute their entire inherited retirement account within 10 years of the year of the owner's death. Surviving spouses, minor children and those not more than 10 years younger than the deceased, however, are generally exempt from this new SECURE Act 10-year distribution rule. Non-individual beneficiaries, like estates, trusts, and charitable organizations have a five-year window to distribute all assets. The new rules apply to IRA and retirement plan assets inherited after December 31, 2019.

As I am sure many of you will recall, we were big fans of the multi-generational (stretch) IRAs and this new change will require a few adjustments for many of our clients. The good news is that we have plenty of ideas that can potentially help to mitigate the tax consequences for your beneficiaries when they inherit your accounts. In our next meeting together we can discuss our recommendations regarding this new law and how to minimize the tax effects to you and your beneficiaries.

Looking Forward into a New Year

Just like a fine wine we get better with age as well - growing more confident, overcoming challenges, learning to cope and handle curveballs that can be thrown at us as we go through life. Our knowledge and experience accumulated as a strong foundation that we continue to build upon. One of the perks of growing older is realizing that you don’t know everything - unlike your 26-year-old self. It takes time to build that foundation of knowledge, and learning should never end.

What we consider "older" and "younger" is all relative, as evidenced by men's professional tennis. While dozens of teens and 20-somethings continue to climb the ranks each year, it is the "old-timers" -- with their match experience and mature presence of mind -- who dominate the top spots.

If 38 seems too young to be considered an "old-timer," how about 110? A recent study of the DNA of "supercentenarians" (people age 110 and older) found that these individuals tend to have a different variety of white blood T-cells that attack viruses and cancer cells. Apparently, sometimes we don't find out what our "superpower" is until later in life.

And despite the early business successes of younger startup superstars like Mark Zuckerberg and other "dot-com millionaires," the average age of successful entrepreneurs in the United States is in their 40s. Researchers say this is because benefits accumulate with age. By benefits, they are referring to business networks (e.g., partners, potential employees, suppliers), financial resources (e.g., personal wealth, excellent credit score, potential investors) and experience gained over a career.

We want to wish you a Happy and Healthy New Year and here's to getting one more year under our belt!

Podcast

We have started a new podcast series and would love to have your feedback. You can find these online at our new website under the media tab. We will post new podcasts weekly. You can follow them on LinkedIn as well if you are connected with Robert Harwood.

Team Member Spotlight

Adria DeMeo, CRPC®

Adria is one of our great assets at the Harwood Financial Group as a Chartered Retirement Planning Counselor. She brings almost 10 years of industry experience and is a fully licensed financial advisor. She assists with client questions, client reviews, stock analysis and portfolio allocation.

Born and raised in New Jersey, she graduated with a bachelor's degree from the University of South Florida. She's been married for more than seven years and is passionate about raising her children Melania, Dominick, and Siena. She enjoys spending time with her family at home, volunteering for events at her kids' schools and to reading to their classes.

Adria always has a positive attitude and is a joy to be around. You may have the opportunity to sit with her soon to discuss your finances.

If you have any questions, please contact us at

800-989-1427 or **727-524-1427**.

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