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# 2020

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Join the Retirement Planning Conversation



## The SECURE Act Becomes Law

With the clock ticking down on 2019, Congress enacted a \$1.4 trillion year-end spending bill to keep the government running. Tucked away inside this mammoth piece of legislation is the Setting Every Community Up for Retirement Enhancement (SECURE) Act, which includes *significant changes to retirement accounts* and easily became our "Top IRA Ruling" of 2019.

### Age Limit Eliminated for Traditional IRA Contributions

Beginning in 2020, the SECURE Act eliminates the age limit for traditional IRA contributions. Now, those who are still working can continue to contribute to a traditional IRA, regardless of their age. This expands opportunities for back door Roth IRA contributions for older clients.

### RMD Age Raised to 72

The SECURE Act raises the age for beginning required minimum distributions (RMDs) to 72 for all retirement accounts subject to RMDs. While 1½ years is not a big delay, this does remove the ½-year confusion for those in their 70½ year and also expands the "sweet spot" for planning (formerly between ages 59½ and 70½) to age 72. IRA owners reaching age 70½ in 2020 catch a break and will not have to take their first RMD in 2020 now that the RMD deadline has been extended to age 72.

The new proposed changes in the RMD life expectancy tables beginning in 2021 combined with the new RMD age will allow those who don't need the funds to keep them growing tax-deferred a little longer.

The qualified charitable distribution (QCD) age does not change, so QCDs can still be done at age 70½, even though no RMDs will be required until age 72. Even Congress admits this discrepancy will cause confusion.

### New Exception to the 10% Penalty for Birth or Adoption

The SECURE Act adds a new 10% penalty exception for birth or adoption, but the distribution is still subject to tax. It is limited to \$5,000 and applies to all contributory retirement plans. The exception applies to any distribution from the retirement account within one year from the date of birth or legal adoption. The birth or adoption distribution amount can be repaid at any future time (re-contributed back to any retirement account).

### IRA Contributions for Fellowship and Stipend Payments

Additionally, the new law allows taxable non-tuition fellowship and stipend payments to be treated as compensation to qualify for an IRA (or Roth IRA) contribution.

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