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Join the Retirement Planning Conversation



SECURE Act: Ch-Ch-Ch-Ch-Changes! *Turn and Face the Strange*

Following David Bowie's lyrical advice, we turn the calendar and face a strange new retirement world. The Setting Every Community Up for Retirement Enhancement (SECURE) Act was attached to this year's spending bill and signed into law on December 20, 2019 with the bulk of its provisions becoming effective on January 1, 2020. The tentacles of this new law are far reaching and will significantly impact millions of retirement account owners and their beneficiaries.

While some long-standing estate planning practices have been eliminated, new twists within the SECURE Act have opened savings doors to many who were previously shut out. Here is a detailed analysis of the changes that will have the most widespread effects.

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. Any IRA owner who turned 70½ in 2019 or earlier is still bound by the old rules and cannot take advantage of the new age 72 rule.

IRA owners reaching age 70½ in 2020 or later (those born on or after July 1, 1949) fall under the SECURE Act

and will not have to take their first RMD until age 72. As with previous guidelines, the first RMD can be delayed until April 1 of the year after the account owner reaches age 72.

Example: Robert and Melinda are married. Robert's 70th birthday was June 30, 2019, and Melinda turned 70 the very next day, on July 1, 2019. This means Robert turned 70½ on December 30, 2019, and Melinda turned 70½ on January 1, 2020. While the couple is only separated in age by one day, their RMD required beginning dates are two years apart!

Since Robert turned 70½ in 2019, he is bound by the 2019 RMD rules. His first RMD is for 2019, which he can opt to delay until April 1, 2020. He gets no benefit from the SECURE Act, and he cannot skip a year until he is 72.

Melinda, on the other hand, benefits from turning 70½ in 2020. She follows the new RMD rules and is not required to take an RMD until the year she reaches age 72, which is 2021. She can delay her first RMD until April 1, 2022.

Age Limit Eliminated for Traditional IRA Contributions

The SECURE Act eliminated the 70½ age limit for traditional IRA contributions. Now, those who are still working can contribute to a traditional

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