



The SECURE Act Summary

The Setting Every Community Up for Retirement Enhancement (SECURE) Act was signed into law on December 20, 2019, and took effect on January 1, 2020. It represents the most significant retirement plan legislation in more than a decade and impacts almost every retirement plan. Here's what you need to know—always consult with your personal tax advisor regarding your own situation.

CHANGES TO INDIVIDUAL RETIREMENT ARRANGEMENTS (IRA):

- **Required Minimum Distribution (RMD) age was increased** from 70 ½ to 72. Investors who turned 70 ½ in 2019 must still take RMDs in 2019, 2020 and beyond.
- **No more age restriction on traditional IRAs.** As long as an individual has earned income, they can contribute to an IRA—the maximum age restriction has been repealed.
- **For inherited IRAs, also known as Stretch IRAs, the stretch just got shorter.** The new law removes the ability to use the beneficiary's life expectancy for distribution and requires the IRA to be fully paid out within 10 years, unless the beneficiary is a spouse, a minor child of the decedent, a disabled individual, or a person less than 10 years younger than the decedent.
- Permits **penalty-free early withdrawal (before age 59 ½) for childbirth or adoption expenses** of up to \$5,000. This distribution is subject to income taxes but not the 10% early withdrawal penalty.

CHANGES TO 401(K) PLANS:

- **Increases Required Minimum Distribution (RMD) age** from 70 ½ to 72.
- Enables businesses to **sign up part-time employees** who work either 1,000 hours throughout the year or have three consecutive years with 500 hours of service.
- Makes it **easier for small businesses to set up 401(k)s** by increasing the cap under which they can automatically enroll workers in "safe harbor" retirement plans, from 10% of wages to 15%.
- Changes to multiple employer plans (MEPs) to make it more economical for providers to **offer smaller 401(k) plans** (less than \$50 million).
- Makes it easier for employers to **offer annuities in 401(k) plans**, though it is not a requirement.
- Provides a **maximum tax credit of \$500 per year** to employers who create a 401(k) or SIMPLE IRA plan **with automatic enrollment**.
- Permits **penalty-free withdrawals** of \$5,000 from 401(k) accounts to **defray the costs of childbirth or adoption**.
- **Disclosure of lifetime income estimate on statements.** This is a technology change for recordkeepers to illustrate a participant's projected monthly income in retirement.

CHANGE TO 529 PLANS:

- Individuals can now **use 529 plan assets to repay student loan debt** up to \$10,000.

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