



## **IMPORTANT UPDATE**

### **RE: SETTING EVERY COMMUNITY UP FOR RETIREMENT ENHANCEMENT (SECURE) ACT**

The Setting Every Community Up for Retirement Enhancement (SECURE) Act was signed into law on December 20, 2019 and is effective January 1, 2020.

While the Act has many provisions related to qualified employee retirement plans, the following information relates to the changes to the **Individual Retirement Annuity (IRA)** and **403(b) Tax Sheltered Annuity (TSA)** rules.

#### **Required Minimum Distributions**

The Required Beginning Date (RBD) for Required Minimum Distribution (RMD) payments has been raised from age 70 ½ to age 72 for anyone who turns 70 ½ in 2020 or later.<sup>1</sup>

If you were born **on or after July 1, 1949**, you will not be required to take your first RMD until the year you turn 72. If you were born **on or before June 30, 1949**, you will be required to take RMD's for 2019 and 2020.

#### **IRA Contribution Rules**

There is no longer an upper age limit for IRA contributions. Prior to the SECURE Act, IRA contributions were no longer allowed after age 70 ½, but effective 01/01/2020, contributions can be made regardless of age if the IRA holder has earned income.

If you are over the age of 70 ½ and have earned income, you can contribute to your IRA in 2020 and beyond, as long as your contract allows for additional contributions, and you stay within the IRA contribution limits.

#### **Inherited IRA Distributions**

Inherited IRAs generally must now be fully liquidated within 10 years after the death of the holder. Previously, if you inherited an IRA, a beneficiary could "stretch" distributions and tax liability over their single life expectancy. Now, for IRA's inherited from IRA holders who have passed away on or after January 1, 2020, the new law requires non-spouse beneficiaries to fully liquidate the IRA within 10 years following the death of the IRA holder.

Exceptions to the 10-year rule include IRAs left to a surviving spouse, a minor child, a disabled or chronically ill beneficiary, and a beneficiary less than 10 years younger than the original IRA owner.

We encourage you to discuss these changes with your tax or financial advisor to see how the new law may impact your own personal financial situation.

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<sup>1</sup> For IRAs, the first RMD must be taken by April 1 of the year following the year you turn 72. For TSAs, the first RMD must be taken by April 1 of the later of the year following the year you turn 72 and the year following the year you retire.