Jewish Federation & Foundation OF NORTHEAST FLORIDA

January 2020 – Important News Regarding the SECURE Act

Late last year, as part of legislation passed within the 2020 United States Federal Budget, Congress enacted "The Setting Every Community Up for Retirement Enhancement Act of 2019" (SECURE Act). It is the most significant pension reform law in more than a decade. The SECURE Act, which became effective as of January 1, 2020, makes several significant changes in the tax rules for qualified pension plans and individual retirement accounts (IRAs). If you have significant pension and IRA holdings, it is imperative that you review these changes and their potential impact on your estate and gift plan. The changes will have substantial repercussions for retirement and wealth transfer planning, especially in the area of accelerating taxation of inherited IRAs.

Significant provisions in the SECURE Act include:

- **Increase in Age for Required Minimum Distributions (RMDs).** The Act raises the trigger age for taking RMDs from 70 ½ to 72. If you did not reach age 70 ½ in 2019 or earlier, you will not be subject to RMDs until the year after you turn 72.
- **Removal of Age Limitation for Contributions to Traditional IRAs**. If you have earned income, you may be eligible to make deductible contributions to a traditional IRA regardless of age. Previously, individuals were prohibited from making contributions beginning in the year they turned 70 ½.
- **IRA Charitable Rollover Age Unchanged.** The Act *does not change* the age of 70 ½ years at which you become eligible to take advantage of the IRA Charitable Rollover and make Qualified Charitable Distributions (QCDs) from your IRA directly to a charity such as the Federation. This means that even if you are not yet required to take RMDs, you may benefit from the IRA Charitable Rollover if you are age 70 ½ or over. Note, however, that your QCDs will be reduced by any post-age 70 ½ deductible IRA contributions.

- **Elimination of most “Stretch” IRA distributions.** Prior to enactment of the SECURE Act, an individual beneficiary of a retirement plan could leave plan assets in a tax-deferred status for many years by spreading annual withdrawals over the life expectancy of a younger beneficiary in what was called a “Stretch IRA.” The SECURE Act changed that. With limited exceptions, it requires inheritors other than your spouse to take full distribution within 10 years, possibly increasing the tax bite. You may want to designate one or more charities, such as the Federation, as your IRA beneficiaries and leave other assets to family members.
- **Alternative to Stretch IRA.** As an alternative to a Stretch IRA, consider making a charitable remainder trust the tax-free beneficiary of IRA assets and provide for (taxable) trust payments of a fixed dollar amount or a percentage of the trust’s assets to your heirs over their lifetimes.

The SECURE Act can have a profound impact on your estate plan. We urge you to consult with charitable giving professionals at the Federation and your own professional advisors to assure that your plans are updated for these and other important changes.