The SECURE Act

Significant legislation impacting retirement planning became law as of December 20th, 2019. The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 was passed after months of uncertainty. The implications and opportunities of the law on clients' financial well-being are just now being considered. As a result, it has caused advisors to hurriedly brush up on the major provisions of the new law.

Below are the highlights of the SECURE Act.

Repeal of the "stretch" provisions for non-spouses on inherited retirement accounts such as IRAs. After 2019, inherited account balances must be distributed within 10 years of the death of the owner.	Prior to this new 10-year rule, beneficiaries could opt to "stretch" required minimum distributions over their remaining life expectancy. This new rule may open up opportunities to "superfund" beneficiary life insurance over short periods as a wealth transfer tool.
Increases the age for required minimum distributions.	The age is increased from 70½ to 72 but the new law only applies to distributions required to be made after 12/31/19. This allows taxpayers more time for their investments to work in IRAs and 401(k)s.
Creation of a fiduciary "safe-harbor" for plan sponsors offering guaranteed lifetime income options within a qualified plan.	This new rule will allow more use of annuities in pension plans to provide lifetime income for plan participants. Some commentators believe this change will greatly expand the market for annuity sales in the coming years.
Repeals the age limit for contributions to traditional IRAs.	Allows individuals with earned income who have reached 70½ to make traditional IRA contributions. Prior to the legislation, those over 70½ could only contribute to Roth IRAs.
Increases tax credit for small employers creating retirement plans.	Employers with 100 or fewer employees are eligible for a tax credit increasing from $500 annually for the first three years to a maximum of $5,000.
Creates "open" multiple employer plans (MEPs).	This legislation removes many of the roadblocks for groups of non-related employers to establish plans. Prior to this law, only employers who were affiliated could offer these plans. MEPs can reduce costs through the banding together of employers to sponsor plans.

Please stay tuned as Ameritas will continue to monitor the impact of the SECURE Act over the coming months.

For questions about the SECURE Act and how it affects your business contact your Advanced Markets Team at 1-800-319-6903, option 2

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