MR

MILL RIDGE
WEALTH MANAGEMENT

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We wanted to inform you of a new Act, The Setting Every Community Up for Retirement {SECURE} Act, which recently went from bill to law. It represents the most significant retirement plan legislation in more than a decade.

Essentially, it expands access to tax-advantaged retirement accounts, and, ultimately, aims to help Americans save enough for a secure retirement. Although the SECURE ACT is a comprehensive piece of legislation, a summary of the more pertinent changes is highlighted below.

Changes to Employer Retirement Accounts, IRA's, and 529's:

- Delays the required **minimum distribution** age from 70½ to 72
- Removes the age cap that limits contributions to traditional IRAs after age 70½, which would give working people more time to contribute toward retirement
- Allows **graduate students** to count stipends and non-tuition fellowship payments as compensation for IRA contribution purposes
- Permits **penalty-free withdrawals** of up to $5,000 from qualified retirement savings plans to help pay for **childbirth or adoption expenses** (with repayment permitted)
- Expands allowable expenses for **529 college savings plans** to include apprenticeships, or up to $10,000 of qualified education loan repayments
- Waives the **10% additional tax** on distributions for up to $100,000 of qualified disaster distributions
- Fixes the Military **"Gold Star Family"** tax problem, also known as the "widow's tax" 3
- Allow **long-term, part-time workers** to participate in 401(k) plans
- Reduces **payout period** for non-spouse beneficiaries of Defined Contribution plans (and IRAs) to 10 years after the participant's (owner's) death. Note that these supersized distributions could trigger higher taxes for heirs, with few exceptions.
- Eliminates the "**stretch IRA**," on estate planning strategy that allowed much-younger beneficiaries to inherit an IRA and "stretch" the required minimum distributions across their actuarial life expectancies. Basically, IRA heirs received smaller Required Distributions over a longer period of time, reducing their tax liability on the withdrawals and allowing the inherited IRA to potentially grow further in value. As a result of the SECURE Act, inherited IRA's must be fully drawn-down over a 10-year period after the IRA owner's death.

Employer Retirement Plan changes:

- Allows employers of all sizes and types of businesses to join together to create **"open" multiple-employer plans (MEPs)** to make retirement plans more accessible

- Offers **consolidated Form 5500 filing** for a "group of plans" using the same fiduciaries and investments for certain DC plans

- Introduces a credit for those small employers who encourage savings through employee automatic enrollment, which has been shown to increase employee participation and boost retirement savings.

Increases Penalties

- Increases **penalties** for failure to file retirement plan returns (such as Forms 5500), required notifications of changes and required withholding notices

- Increases **penalties** for individuals who fail to file tax returns

Please don't hesitate to contact us with any questions/concerns with how the SECURE Act may impact your personal retirement planning.

Mill Ridge Wealth Management

James F Marchesi, CFP Michael M Pirrello, CFP Tracey A Atkinson

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