

Golden Bullets

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THE SECURE ACT OF 2019: THINGS TO CONSIDER

On December 20, 2019, **President Trump signed a spending package** into law, part of which included the **SECURE Act** (Setting Every Community Up for Retirement Enhancement).

One important change is that those who have been prevented from making traditional IRA contributions due to age in the past may now be eligible to make contributions—so long as they have earned income.

This change is favorable for many, but there is a potential downside which you may not have heard about. If a taxpayer makes one or more deductible IRA contributions after the age of 70 1/2, those contributions will impair the person's ability to perform a tax-free qualified charitable distribution (QCD).

A QCD generally is a nontaxable distribution of up to \$100,000 made directly by the trustee of an IRA to an organization eligible to receive tax-deductible contributions. The taxpayer must be at least age 70½ when the distribution is made. A person performing a QCD gets to exclude the amount of the distribution from income.

However, if a QCD is done in the same year a deductible IRA contribution is made, or in a future year, the **amount of the contribution will be recaptured up to the amount of the QCD.**

The SECURE Act contains other provisions relevant to many of my clients, including:

- **Delays the time that minimum distributions must begin** from a qualified account from the year in which the taxpayer turns age 70 ½ to age 72. This change applies to those who turn 70 ½ in 2020 or later.

- **Shortens the potential stretch time** for a non-spouse named beneficiary of a qualified account or IRA.
- Creates incentives for small businesses to set up automatic enrollment in retirement plans for its workers.
- Allows small businesses to join multiple employer plans, where they can band together with other companies to offer retirement accounts to employees.
- Creates an incentive for qualified plans to invest in annuities.
- **Section 529 plan distributions may be made tax-free to pay off up to a total of \$10,000 of college loan debt.**

Do you have questions about the SECURE Act? Are you unsure about how the new rules apply to you? I can help guide you through the changes in the law.

AS ALWAYS, PLEASE FEEL FREE TO CALL TO DISCUSS THESE OR OTHER FINANCIAL SECURITY ISSUES OF CONCERN.

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