KEY PROVISIONS OF THE SECURE ACT

Repeal of Maximum Age for Traditional IRA Contributions: Before 2020, traditional IRA contributions were not allowed once the individual attained age 70½. Starting in 2020, the new rules allow an individual of any age to make contributions to a traditional IRA, as long as the individual has compensation.

Required Minimum Distribution Age Raised From 70½ to 72: Before 2020, retirement plan participants and IRA owners were generally required to begin taking required minimum distributions from their plan by April 1 of the year following the year they reached age 70½.

For distributions required to be made after Dec. 31, 2019, the age at which individuals must begin taking distributions from their retirement plan or IRA is increased from 70½ to 72.

Partial Elimination of Stretch IRAs: For deaths of plan participants or IRA owners occurring before 2020, beneficiaries (both spousal and non-spousal) were generally allowed to stretch out the tax-deferral advantages of the plan or IRA by taking distributions over the beneficiary s life or life expectancy.

General 10-Year Rule. For deaths of plan participants or IRA owners beginning in 2020, distributions to most non-spouse beneficiaries are generally required to be distributed within 10 years (and in some cases, 5 years) following the plan participant's or IRA owner's death.

Exception for Eligible Designated Beneficiaries. Exceptions to the 10-year rule are allowed for distributions to:

(1) the surviving spouse of the plan participant or IRA owner;

(2) a child (but not a grandchild or other minor) of the plan participant or IRA owner who has not reached majority (or has reached majority but has not completed a specific course of education and is under age 26); however, upon reaching the age of majority, the 10-year rule kicks in;

(3) a disabled individual (as defined in the Internal Revenue Code);

(4) a chronically ill individual (as defined in the Internal Revenue Code); and

(5) any other individual who is not more than ten years younger than the plan participant or IRA owner.

Those beneficiaries who qualify under this exception may generally still take their distributions over their life expectancy. However, upon the death of such eligible designated beneficiary, or removal of the applicable disability (including attainment of majority age), the 10-year rule kicks in.

Other Designated Beneficiaries. For all other designated beneficiaries falling under the 10-year rule, the payout deadline would most likely be December 31 of the year that contains the 10th anniversary of the date of death of the account owner. Additionally, unlike with the life expectancy payout, there is no requirement of annual distributions; distributions can be made at any time or times during the 10-year period as long as the plan is totally distributed by the end of the period.

No Designated Beneficiary. The payout rules applicable if there is "no designated beneficiary" have not changed under the SECURE Act (generally a 5-year payout). For example, a trust with several individual beneficiaries and a charity as the contingent remainder beneficiary.

Below is a chart that generally summarizes the payout options:

Employee Dies BEFORE Beginning Required Minimum Distribution ("RMD")	**Employee Dies AFTER Beginning Required Minimum Distribution**
1. No Designated Beneficiary: If the account owner dies before RMDs begin, the non-designated beneficiary will be subject to the **5-year payout rule.**	**1. No Designated Beneficiary:** If the account owner dies after RMDs begin, the payout will be made based on the **account owner's remaining life expectancy.**
2. Eligible Designated Beneficiary: If the account owner dies before RMDs begin, the payout will be based on either (i) the **eligible beneficiary's life expectancy** or (ii) the **10-year rule**.	**2. Eligible Designated Beneficiary:** If the account owner dies after RMDs begin, the payout will be based on either (i) the **eligible beneficiary's life expectancy** or (ii) the **account owner's remaining life expectancy**.
3. Non-Eligible Designated Beneficiary: If the account owner dies before RMDs begin, the non-eligible designated beneficiary will be subject to the **10-year payout rule.**	**3. Non-Eligible Designated Beneficiary:** If the account owner dies after RMDs begin, the non-eligible designated beneficiary will be subject to the **10-year payout rule.**

Spousal Rollover: The new 10-year rules do not apply to a spousal rollover. If a surviving spouse is the eligible designated beneficiary, when the account owner dies, the surviving spouse may roll over the account owner's IRA into his or her own IRA. If the surviving spouse has rolled over the IRA (rather than taking distributions as a beneficiary of an inherited IRA), upon the death of the surviving spouse, if an eligible designated beneficiary was the recipient of the IRA, the IRA could be paid out over the life expectancy of the eligible designated beneficiary (instead of 10 years).

Alternatively, the spouse may elect to take distributions as a beneficiary of an inherited IRA over his or her life expectancy. However, at the surviving spouse's subsequent death, any funds remaining in the IRA must be distributed within 10 years.

A surviving spouse should give careful consideration when determining whether to rollover an IRA or take as an inherited IRA. While the SECURE Act does not necessarily affect the payout for the surviving spouse, it could affect the payout to the next recipient.

Expansion of Section 529 Education Savings Plans: Before 2019, allowable distributions from a 529 plan did not include the expenses of registered apprenticeships or student loan repayments.

Tax-free distributions from 529 plans can now be used to pay for fees, books, supplies, and equipment required for the designated beneficiary's participation in an apprenticeship program. In addition, tax-free distributions (up to $10,000) are allowed to pay the principal or interest on a qualified education loan of the designated beneficiary, or a sibling of the designated beneficiary.

Kiddie Tax Changes: The SECURE Act repealed the kiddie tax measures that were added by the Tax Cuts and Jobs Act in 2017, returning the expenses subject to the tax to their original lower rates.

Retirement Plan Withdrawals for Expenses Related to the Birth or Adoption of a Child: Generally, a distribution from a retirement plan must be included in income. And, unless an exception applies, a distribution before the age of 59½ is subject to a 10% early withdrawal penalty on the amount includible in income.

Starting in 2020, plan distributions (up to $5,000) that are used to pay for expenses related to the birth or adoption of a child are penalty-free. That $5,000 amount applies on an individual basis, so for a married couple, each spouse may receive a penalty-free distribution up to $5,000 for a qualified birth or adoption.