Summary of the SECURE Act of 2019

The Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) brought about the most significant changes to retirement planning in over a decade. These changes include the post death treatment of IRAs, the age for required minimum distributions to begin and the lifting of IRA age contribution restrictions.

Passage of the SECURE Act makes it essential for every IRA owner to review his or her plan for receiving IRA distributions during lifetime and for distribution following death.

What has the SECURE Act changed in retirement planning?

Elimination of the Stretch IRA

Before the SECURE Act was enacted, beneficiaries of an IRA could opt to receive distributions from the account over their own life expectancy. By stretching out those distributions over the beneficiary's lifetime, the income tax liability was also spread out over the beneficiary's lifetime.

The SECURE Act requires, with exceptions, IRA beneficiaries to completely withdraw all IRA plan assets within 10 years from the date of the original account owner's death. This shortened timeframe for beneficiaries to withdraw the IRA funds means the income tax liability associated with the funds must also be paid much more rapidly.

Exceptions to the 10-Year Requirement

There are several exceptions to the 10-year full distribution requirement. Specifically, these "Eligible Designated Beneficiaries" include:

- Surviving Spouses
- Chronically Ill Heirs
- Disabled Heirs
- Beneficiary Not More than 10 Years Younger than Account Owner

In addition to the three listed exceptions, a minor child of the account owner is also not subject to the 10-year distribution requirement until they reach the age of majority. Once a minor child reaches the age of majority, the 10-year distribution rule applies, and all IRA assets must be withdrawn by the end of the 10th subsequent year. This exception only applies to a child of the account owner and does not extend to a non-child minor beneficiary.

Age Change for Required Distributions

The SECURE Act increases the age at which IRA owners must begin taking required minimum distributions (RMDs) from 70 ½ to 72. As individuals are working and living longer than ever before, this change allows the IRA assets to grow longer on a tax deferred basis before RMDs begin.

Contributions Without Age Restriction

Before enactment of the SECURE Act, contributions to an IRA had to stop at age 70 ½. Thus, when an IRA owner was required to begin receiving distributions from the IRA, they could no longer make any contributions to the account.

Under the SECURE Act, the 70 ½ year old age limit has been removed, and there are no longer any limits on the age through which contributions can be made.

Birth and Adoption Withdrawals

The SECURE Act permits IRA withdrawals (up to $5,000) to pay expenses associated with the birth or adoption of a child. Any such withdrawals must be made within one year from the date of the child's birth or adoption.

Additionally, the SECURE Act defines an adopted child as one who has not yet attained the age of 18 or who is physically or mentally incapable of self-support.

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