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BUSINESS

The SECURE Act has changed the rules of retirement, here are seven things you need to know

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KEVIN SKOW

The Secure Act creates powerful new opportunities and important rule changes for retirement planning.

The SECURE Act is the first meaningful update to the law governing the retirement system in nearly 15 years. It creates powerful new opportunities and important rule changes for retirement planning, saving and spending.

The Act includes 30 provisions that affect the retirement system, bringing welcome improvements for most Americans trying to build wealth for retirement.

Here are seven to be aware of now:

1. Birth/adoption withdrawal. You are now allowed to withdraw up to $5,000 from your retirement plan or IRA within one year of the birth or adoption of a child. This allowance applies to each parent. There is no mandatory tax withholding and the 10% early withdrawal penalty will not apply. This distribution may be repaid within one year to avoid it becoming a taxable event and to help you replenish your hard-earned savings. Further guidance on the tax treatment of unpaid claims and the timing of repaid claims will be forthcoming from the IRS.

2. Required Minimum Distributions adjusted. If you are retired and turned 70 after June 30, 2019, now you won't be required to start taking distributions from your retirement accounts until you are 72. This delay will allow you to keep more assets in your investments and grow those savings for a lengthening life expectancy.

3. New opportunity for part-time employees. If you are a part-time employee who has not been eligible to participate in your company's retirement plan, you may have access to this important savings tool. Beginning in 2021, if you work at least 500 hours per year for three consecutive years, your employer's retirement plan will be available to you. Not all employer plans exclude part-time employees, but if your company does and you have wanted to use it to build savings for retirement, you soon will be able to do so. Please note, this change does not apply to collectively bargained plans.

4. "Stretch" IRA/RMD eliminated. Under the old law, a designated beneficiary of a retirement account could draw down the inherited retirement plan benefits over a period of time based partly on his or her life expectancy. The new rule under the SECURE Act requires that "non eligible" beneficiaries must completely draw down their inherited balance within 10 years of ownership. This does not apply to defined benefit (pension) plans but does apply to IRAs and employer-sponsored defined contribution plans (401(k), 403(b), etc.)

5. IRA contributions for all. The limit prohibiting anyone over the age of 70.5 from making non-rollover contributions to an IRA has been repealed. You may now continue to contribute earned income to your IRA regardless of your age.

6. A new option to repay student loans. 529 tuition accounts can now be used to repay up to $10,000 in qualified education loans. This benefit applies to the beneficiaries of the 529 plan as well as their siblings.

7. Small businesses have new a retirement-plan option. Historically, only companies with common interests were allowed to establish a combined retirement plan for all of their employees. Beginning in 2021, unrelated employers will be allowed to join a "pooled employer plan" that has the benefits, costs and offerings of a much larger "plan" for their collective employees.

The material in this column is provided for informational purposes only. Neither the information nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. Francis Investment Counsel does not offer personal tax or legal advice. Kevin Skow is vice president and retirement plan consultant of Francis Investment Counsel LLC, a registered investment adviser with offices in Brookfield, Wisconsin, and Minneapolis, Minnesota. He can be reached at kevin.skow@francisinvco.com.