



The SECURE Act

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The Setting Every Community Up for Retirement Enhancements (SECURE) Act increases saving opportunities for Americans, with many of the provisions becoming effective January 1, 2020. The SECURE Act contains 29 separate provisions; below is a summary of some of the more substantial changes.

TOPIC	PRE-SECURE ACT LAW	NEW LAW	PLANNING CONSIDERATIONS
Age to Begin Required Minimum Distributions (RMDs)	By April 1 of the year after reaching age 70 ½.	By April 1 of the year after reaching age 72.	<ul style="list-style-type: none"> • If you turned age 70 ½ in 2019, you will have an RMD for 2019 and 2020. • If you turn age 70 ½ in 2020, your first RMD will be delayed until the year you turn age 72.
Beneficiary Payouts for IRAs and Retirement Plans “Stretch Provision”	<p>Prior to 2020, non-spouse beneficiaries could generally elect:</p> <ol style="list-style-type: none"> 1. Total distribution 2. RMDs each year based on the beneficiary’s life expectancy 3. To deplete the account within five years <p>Please Note: If an IRA owner/plan participant died in 2019 or prior, the non-spouse may continue pre-SECURE Act election.</p>	<p>If an IRA owner/plan participant dies in 2020 or after, a new 10-year rule will apply.</p> <p>The new rule requires the inherited IRA/retirement account to be depleted within 10 years (by December 31 of 10th anniversary of death).</p> <p>Exceptions include spouses, minors, disabled or chronically ill individuals, and non-spouse beneficiaries that are no more than 10 years younger than the deceased. Once a minor reaches the age of majority, the 10-year rule begins.</p>	<ul style="list-style-type: none"> • Consider amending beneficiary designations to include a spouse as beneficiary. • Review conduit and discretionary trust language to determine whether the provisions continue to align with your estate planning needs. • Consider strategic Roth conversions to eliminate or minimize taxation for beneficiaries. • If an IRA or retirement plan account owner passed away in 2019 (within the last nine months) with a spouse listed as primary beneficiary and contingent beneficiaries designated, the spouse may want to consider disclaiming part or all of the inherited account in order for the non-spouse contingent beneficiaries to stretch RMDs over their life expectancies.

Traditional IRA Contribution Age Limit	Traditional IRA contributions were no longer allowed starting in the year an individual reached age 70 ½.	Beginning in 2020, traditional IRA contributions are allowed at any age, as long as the account owner (or spouse if married filing jointly) has earned income.	<ul style="list-style-type: none"> • Are you or your spouse still working and eligible to make deductible traditional IRA contributions? • Do after-tax Roth IRA contributions fit better into your estate or tax planning? • Deductible traditional IRA contributions may reduce the amount of your current and future qualified charitable distributions (QCDs).
Compensation for IRA Contributions	Earned income (such as salary, wages, commissions, and income from self-employment), as well as nontaxable combat pay, or taxable alimony was required to make an IRA contribution.	In addition to the forms of compensation previously mentioned, taxable stipends, non-tuition fellowship pay, and tax-exempt “difficulty of care” payments may be used to contribute to an IRA beginning in 2020.	<ul style="list-style-type: none"> • If you are a graduate or postdoctoral student, consider funding an IRA with taxable stipends or non-tuition fellowship payments. • If you are a home healthcare worker, consider funding an IRA with tax-exempt “difficulty of care” compensation.
Penalty-Free Withdrawals for Birth or Adoption of Child	IRA/retirement plan distributions were generally taxable as ordinary income and subject to a 10% early withdrawal penalty prior to age 59 ½. Certain penalty exceptions may have applied.	Allows a \$5,000 penalty-free IRA/retirement plan withdrawal to cover expenses related to the birth or adoption of a child.	<ul style="list-style-type: none"> • If both parents have an IRA or retirement plan, each may take a \$5,000 penalty-free withdrawal (\$10,000 combined) to cover expenses for the same child. • Withdrawal must occur during the one-year period beginning on the date the individual’s child is born or legal adoption of an eligible adoptee is finalized.
529 Plan Eligible Expenses	529 Plan funds could be distributed tax-free to cover qualified higher education expenses (undergraduate or graduate), such as tuition, books, and room and board. Additionally, funds could be used to pay up to \$10,000 of K-12 tuition costs per year (subject to state law).	In addition to the tax-free distributions previously mentioned, 529 Plan funds may be distributed tax-free to pay for registered apprenticeships. 529 Plan funds may also be used to pay down student loans (subject to a lifetime limit of \$10,000).	<ul style="list-style-type: none"> • The \$10,000 lifetime limit is a per-person limit; therefore, an additional \$10,000 may be distributed to satisfy outstanding student debt for each of a 529 Plan beneficiary’s siblings. The beneficiary’s siblings include brothers, sisters, step-sisters, and step-brothers.
Kiddie Tax Calculation	As of January 1, 2018, under the Tax Cuts and Jobs Act (TCJA), a child’s net unearned income in excess of specified levels was taxed according to the tax brackets used for estates and trusts.	Beginning in 2020, a child’s net unearned income in excess of specified levels is taxed at the parents’ tax rate if higher than the child’s tax rate. This reverts back to pre-TCJA rules.	<ul style="list-style-type: none"> • The first \$1,100 of unearned income or earned income plus \$350 (not to exceed the standard deduction) is exempt; the next \$1,100 of taxable income is taxed at the child’s tax rate. Any taxable income over and above is taxed at the parents’ tax rate. • You can elect to make this retroactive for 2018 and 2019.

If you have questions on the SECURE Act related to your financial situation, please reach out to your Stifel Financial Advisor.

This information is for educational purposes only.

Stifel does not provide legal or tax advice. You should consult with your legal and tax advisors regarding your particular situation.

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