

FINANCIAL PLANNING: IMPORTANT UPDATES BULLETIN

Due to the deluge of recent news and legislative changes we would like to offer a summary of the most important developments of the past few months to ensure that you stay informed on issues that may be pertinent to your personal financial plan.

RETIREMENT ACCOUNTS

Required Minimum Distributions Commencement Age Increase

- The December 2019 SECURE Act increased the age at which retirement plan participants need to begin taking required minimum distributions (RMDs), from 70½ to 72.

Contributions to IRAs Now Permitted at Any Age

- The SECURE Act now allows traditional IRA owners to keep making contributions indefinitely so long as they have earned income of at least the amount of the contribution. Previously, contributions were not permitted beyond age 70½.

End of 'Stretch IRAs' for Non-Spousal Beneficiaries

- The SECURE Act requires non-spousal beneficiaries of IRAs to withdraw all assets of an inherited account within 10 years. There are no required minimum distributions within those 10 years, but the entire balance must be distributed after the 10th year. Previously, non-spousal beneficiaries who inherited an IRA could elect to take RMDs over the course of their lifetime, thereby 'stretching' the distributions to allow for the account to maximize the compounding effect of growth.

Suspension of Required Minimum Distributions (RMDs) for 2020

- The CARES Act waives the requirement for any RMD that is required to be paid in 2020. This includes an individual's first RMD which is attributable to 2019 (not paid by January 1, 2020). If an RMD has already been received during 2020, then the participant may roll it over and defer paying taxes, including rolling back into the plan.

Penalty Free Withdrawals for 2020

- If your plan permits, you may withdraw, without penalty, up to \$100,000 between January 1, 2020 and December 31, 2020.
- To be eligible to make such a withdrawal, you, your spouse or dependent, must have been diagnosed with COVID-19, or suffered adverse financial consequences due to COVID-19 (e.g., furlough, reduction in hours, unable to work due to childcare, loss of business, etc.).
- You have three years from the day after the distribution was received to repay the amount into a qualified retirement plan (or any other plan or IRA that can accept rollovers). The distribution will be taxable if it is not repaid, but it can be repaid over a three-year period, unless otherwise elected.

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Sound Management for a Secure Future



Loan Limit Increase Until 9/23/20

- The amount of a loan you can take from your qualified retirement plan can be increased to the lesser of \$100,000 or 100% of your vested account balance. This only applies to loans made on or before September 23, 2020 (180 days following enactment of CARES) and is only for individuals that meet the same conditions outlined for the withdrawals noted above.

Loan Repayment Deadline Extension

- Subject to plan approval, scheduled participant loan repayments due from March 27, 2020 (the enactment of CARES) through December 31, 2020, may be delayed for up to one year for qualifying employees. Interest continues to accrue during the period and the plan can extend the term of the loan for up to one year.

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