SECURE ACT Q & A

SECURE STANDS FOR:

Setting Every Community Up for Retirement Enhancement

3 FINANCIAL PLANNING AREAS OF THE SECURE ACT

1. Retirement Planning
2. Estate Planning
3. Other Miscellaneous Financial Planning Matters

"Your planning professionals such as CPAs, estate planning attorneys, and your BOK Financial Advisor can assist you in determining the impact of the SECURE Act on your unique situation."

WHAT IS THE SECURE ACT?

On December 19, 2019, Congress passed the spending bill, also known as The Further Consolidated Appropriations Act, 2020, H.R. 1865, which President Trump signed into law. The bill makes changes to retirement plan rules, extends several expired tax provisions and repeals three healthcare taxes among other appropriations for government spending.

The bill also incorporates the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019. The Act is designed to encourage retirement savings and to simplify an employer's administrative requirements in order to extend employer offered retirement plans to more employees.

Retirement Planning

I turned 70½ in 2019, do I need to take a Required Minimum Distribution in 2020?

Yes, you will need to take your Required Minimum Distribution in 2020 because you have reached age 70½ before the SECURE Act was enacted on December 31, 2019.

I turn 70½ in 2020, do I need to take a Required Minimum Distribution in 2020?

No. You will reach age 70½ after the SECURE Act goes into effect. You will not need to take a Required Minimum Distribution until you reach age 72.

I plan on working for another 5 years. I am currently 68. Can I make IRA contributions as long as I keep working?

Yes, as long as you have earned income, you can make IRA contributions within the IRS standards. Do be aware, under current legislation, you will have to take a Required Minimum Distribution starting at age 72.

Estate Planning

How will the Act affect me if I inherited an IRA from someone other than my spouse?

The Act eliminates the "Stretch IRA." You will be required to distribute the IRA within 10 years if you are more than 10 years younger than the decedent and the death occurred after 12/31/2019. Some exceptions apply.

A relative died in 2019 and I inherited their IRA. Do I have to liquidate my inherited IRA within 10 years under the new rules?

No, if you inherited an IRA from someone who died on or before December 31, 2019 you can still extend distributions from the inherited IRA over your lifetime.

NOTE: If an IRA account owner died or reached age 70½ on or before December 31, 2019 pre-SECURE Act rules apply.

WHAT SHOULD YOU BE LOOKING FOR?

1. Check the beneficiaries named on your IRAs. Any non-spousal beneficiaries should be reviewed with your financial professionals.
2. Consult with your estate planning attorney and discuss any potential impact of the SECURE Act on your situation.

IMPORTANT CHANGES FOR BUSINESS OWNERS AND PLAN ADMINISTRATORS:

1. Allowing long-time part-time employees to contribute to 401(k) plans
2. More affordable for small businesses to start-up retirement plans and add auto enrollment
3. Plans adopted by filing due date may be treated as in-effect as of close of tax year

Does the non-spousal beneficiary of an inherited IRA still need to take RMDs?
No, there is no RMD within those 10 years so the beneficiary will have some flexibility with regard to the timing of the distributions; however, the entire balance must be distributed by the end of the 10th year.

I've named my children as beneficiaries of my IRA. Will the elimination of the "Stretch IRA" impact my current estate plan?
Possibly. Because your beneficiaries will be forced to fully distribute the IRA within the 10-year window there could be unfavorable tax consequences. Additionally, if they will inherit it through a trust there could be additional ramifications. You should review your situation with your estate attorney.

I'm 70 ½ and made a Qualified Charitable Distributions (QCD) from my IRA, will I have to wait until the new RMD age of 72 to make any further QCDs?
Congress did not amend Sec. 408(d)(8)(B)(ii) of the Internal Revenue Code which requires individuals to attain age 70 ½ before performing a QCD.

Other Miscellaneous Financial Planning Matters

I heard that the "Kiddie Tax" was repealed with the SECURE Act. Is that true?
No, the Kiddie Tax was not repealed but reverted back to the computation method used before the Tax Cuts and Jobs Act of 2017. The calculation will be based on parents' tax rates rather than trust tax rates.

My partner and I are looking to adopt. Can we use IRA assets to help with the costs?
Yes, up to $5,000 may be used penalty free for adoption costs. The withdrawal will still be considered taxable income unless the funds are repaid.

I just graduated from college with student loan debt. I didn't use all of my 529 plan. Can I use my 529 assets to pay my student loans?
Yes, you may use a lifetime amount of $10,000 from your 529 plan to pay your student loans. Any interest paid from this distribution will be considered ineligible for the above-the-line student loan interest deduction.

BOK FINANCIAL ADVISORS