HOW WILL THE SECURE ACT TRANSFORM RETIREMENT SAVINGS MOVING FORWARD?

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Debra has more than 25 years of experience in the retirement plan arena and joined Janney in 2006. She is responsible for the development of a broad array of investment products and platforms, complex plan design solutions, training, and retirement plan tools and resources. Debra is a graduate of Rutgers College and holds her series 6 and 63 licenses and the Chartered Life Underwriter®, Chartered Financial Consultant®, and Accredited Investment Fiduciary® designations.

The Setting Every Community Up for Retirement Enhancement (SECURE) Act, signed by President Trump on December 20, is a game-changer for the U.S. retirement system and is particularly significant for Americans with retirement plans (including IRAs) and companies who sponsor retirement plans for their employees.

Following is a summary of the key changes being implemented:

CHANGES AFFECTING INDIVIDUALS

- The age at which Required Minimum Distributions (RMDs) must begin is raised from 70½ to 72 for anyone who turns 70½ after December 31, 2019.
- Contributions to an IRA by someone over 70½ is allowed as long as the other requirements to contribute to an IRA are satisfied.
- An IRA which is inherited by a non-spouse beneficiary will no longer be eligible for "stretch" treatment which allows the recipient to take distributions over his or her life expectancy. The new rule requires (with a few minor exceptions) the inherited IRA (also applies to 401(k) and other qualified plan accounts) to be distributed within 10 years following the death of the account owner. This will be effective for deaths after December 31, 2019.
- Distributions from 529 plans up to $10,000 will be eligible to be used for qualified student loan repayments.
- Aid which a graduate or post-doctoral student receives, such as a stipend or fellowship, will be considered "compensation" for the purpose of making an IRA contribution.
- Following the birth or adoption of a child, each parent will be eligible to withdraw up to $5,000 from his or her IRA or other retirement account without having to pay a 10% penalty on the distribution. Income tax would have to be paid however, unless the withdrawal is recontributed as a rollover. The 10% penalty will not be waived for those who adopt their spouse's child.

CHANGES AFFECTING RETIREMENT PLAN SPONSORS

- Allows unrelated employers to join together in an open multiple-employer plan with a designated "pooled plan provider."
- Extends eligibility (in most cases) for employee contributions to part-time workers with at least 500 hours of service per year for three consecutive years. Current eligibility requirements could still be applied to company contributions and plan testing requirements.
- Increases the tax credit available to small businesses for the costs associated with starting a plan from $500 to a maximum of $5000. The maximum annual credit is based on the number of non-highly compensated employees covered.

- Introduces an additional $500 tax credit for small businesses adopting auto-enrollment.
- Provides additional time to retroactively adopt certain retirement plans.
- Increases the cap on auto enrollment and auto escalation safe harbor from 10% to 15%.
- Requires annual “lifetime income disclosure statements” to plan participants. This is effective one year after guidance is issued.
- Encourages plans to offer 401(k) participants annuities inside their plan accounts by making annuities portable and establishing safe harbors for employers to select annuity providers.
- Simplifies the termination of 403(b) custodial plans by allowing distributions in kind to individual custodial accounts.

RETHINKING ESTATE PLANNING

These changes mean that individuals should revisit their retirement income and estate planning to see what adjustments should be made. Also, employers offering retirement plans to employees will need to closely monitor developments to remain in compliance and to take advantage of what the new rules allow. Your Janney Financial Advisor, supported by the expert resources that are available to assist, can help you determine what your best response is.

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