# Retirement Plan Changes – SECURE ACT

The House of Representatives passed a bill in June 2019 titled "The Setting Every Community Up for Retirement Enhancement Act" (SECURE ACT). This bill passed 417-3 and is expected to make it in some form through the Senate during the current term. The Senate has a similar bill before it currently. The SECURE ACT would be the most significant retirement legislation since 2006. With both chambers appearing aligned on the retirement issue, and improving retirement security a national agenda item, it is expected that President Trump is likely to sign a consensus bill that reaches his desk. As such, we want to highlight those proposed provisions which we believe have the most relevance for our clients.

1. Increase Required Minimum Distribution (RMDs) Ages

   - The SECURE ACT would delay the beginning age for RMDs from age 70 ½ to age 72. The Senate version would defer to age 75.

2. Removal of Age Limitation on IRA Contribution

   - Currently, after reaching age 70 ½ you are no longer eligible to contribute to a traditional IRA and receive a tax deduction. (Taxpayers over 70 ½ are able to contribute to a ROTH IRA).

   - The SECURE ACT proposes to repeal the age limitation for traditional IRA contributions.

3. Eliminates "Stretch" Inherited IRAs

   - An extremely valuable income tax planning opportunity would be significantly reduced by the House bill for inherited IRAs or 401(k)s. Current law allows beneficiaries to spread required distributions from inherited IRAs or 401(k) accounts over their own life expectancy. The new bill would reduce the required distribution period to 10 years, with limited exceptions for certain beneficiaries. This would significantly accelerate the depletion of inherited IRAs. The Senate version of the retirement bill would end the stretch provision for larger inherited IRAs over $450,000.

   - The elimination of the life expectancy distribution provision currently available for beneficiaries of inherited IRAs would require a fresh review of all clients whose estates include large retirement accounts. It is likely that many existing estate plans for those affected will need to be revised to incorporate a different disposition scheme, particularly for IRA conduit or see-through trusts. We will be closely monitoring the outcome of any final legislation and reach out as applicable to clients to revisit their planning.

Sincerely,

Your TD Capital Team