Update – Qualified Retirement Account Contributions and Distributions

On December 20, 2019, President Trump signed the SECURE Act – "Setting Every Community Up for Retirement Enhancement" Act which brought about significant changes in the income tax treatment of contributions and distributions for qualified retirement plan accounts effective January 1, 2020. As tax advisors were digesting these changes for planning with clients, the COVID-19 virus began to spread across the globe. As a result, on March 27, 2020 Congress passed and the President signed the CARES Act – "Coronavirus Aid, Relief, and Economic Security" Act. The largest fiscal stimulus in history, with a broad reach touching both small and large businesses, healthcare and education funding, and individuals; also brought additional temporary changes to qualified retirement plan contributions and distributions.

For this quarter, we will provide the highlights from these recent legislative changes which will significantly impact planning in this area going forward.

SECURE ACT

- Increase in the age for Required Minimum Distributions from age 70½ to 72.
- Elimination of the inherited "stretch" IRA for non-spousal beneficiaries effective January 1, 2020.
- Requirement that non-spousal beneficiaries who inherit qualified plan accounts will draw down the assets within 10 years.
- Removal of age limits for contributions to traditional IRA beginning in the year 2020.

CARES ACT

- Temporary waiver of Required Minimum Distributions for account holders including inherited beneficiaries for tax year 2020.
- Penalty-free early withdrawal for individuals under age 59½. The distribution will still be taxed as ordinary income.
- A "Coronavirus-related" distribution of up to $100,000 in 2020 may be rolled over (all or a portion) within three years, 2020-2022 and avoid taxation.
- For a "Coronavirus-related" 2020 distribution of up to $100,000 that is not rolled over within 3 years, the recipient may elect to be taxed as ordinary income in 2020 or spread the income three years.
- Loan limits for participants in employer-sponsored plans raised to 100% of vested balances up to $100,000.

Qualified retirement account planning is a key aspect of most of our clients' financial plans. In the coming weeks, we will be reviewing and updating our strategies for our clients who have been or will be affected by these significant changes. If you have questions on how these changed may affect you, don't hesitate to contact us.

Above all in these trying times, we pray for all to be safe and well.

Sincerely,

Your TD Capital Team