

The SECURE Act

In December 2019, Congress passed the Setting Every Community Up for Retirement Enhancement (SECURE) Act, also known as SECURE 1.0. Later, on December 29, 2022 congress passed the SECURE 2.0 Act.

SECURE 1.0 - Effective January 1,2020

The SECURE act eliminated “stretch IRAs” for eligible designated beneficiaries (EDBs) with three exceptions:

1. A minor child (not grandchild) of original owner who has not reached the age of majority (usually 18 or 21 based on state) or, if still in school, up to age 26.
2. Someone less than 10 years younger than the original owner. This person also must withdraw the required minimum distributions based on his or her life expectancy.
3. Someone disabled or chronically ill (as defined under the applicable sections of the Internal Revenue Code).

All beneficiaries other than a spouse must take minimum distributions based on their life expectancy and empty the account within 10 years. Spouses who inherit an IRA or 401(k) can roll it over to their own IRA/plan and stretch out required minimum distributions (RMDs) over the course of their lifetime

SECURE 2.0 - Effective January 1,2023

1. Increases the required minimum distribution (RMD) age to 73 starting on January 1, 2023, and to 75 starting on January 1, 2033.
2. Repeals the 25% limit and allows up to \$200,000 (indexed) to be used from an account balance to purchase a Qualifying Longevity Annuity Contract (QLAC).
3. Reduces the penalty for failure to take RMDs from 50% to 25%, with a further reduction to 10% if the RMD failure is corrected in a timely manner.
4. Provides permanent rules relating to the use of retirement funds in the case of a federally declared disaster.

SECURE 2.0 - Effective January 1,2024

1. Permits an employer to make matching contributions under a 401(k) plan, 403(b) plan, governmental 457(b) plan, or SIMPLE IRA with respect to “qualified student loan payments.”
2. Provides an exception to the early withdrawal penalty for distributions up to \$1,000 annually used for emergency expenses. A taxpayer has the option to repay the distribution within three years.
3. Increases the annual deferral limit and the catch-up contribution limit at age 50 by 10% in SIMPLE IRAs and SIMPLE 401(k) plans, as compared with the limit that would otherwise apply in the first year this change is effective.
4. Conforms the hardship rules for 403(b) plans to those for 401(k) plans.

The SECURE Act

5. Adds an important new option to the list of spouse-beneficiary-only options by allowing the surviving spouse to elect to be treated *as* the deceased spouse.

SECURE 2.0 - Effective January 1,2025

1. Requires DOL to create and administer a national online searchable lost and found database for Americans' retirement plans; requires plan administrators to provide annual reporting of disposition of balances for vested terminated participants.