



*What You Need to Know
about the*

SECURE Act Retirement Bill

On December 20, 2019, President Trump signed the SECURE Act into law. The SECURE Act is one of the largest retirement-focused bills passed in well over a decade!

Key points to the new legislation:

- Required Minimum Distributions begin at age 72, instead of 70.5
- IRA Contributions may continue until age 72
- Elimination of lifetime stretch provisions of Inherited IRAs for non-spousal beneficiaries

There are several other rules and provisions included with this new legislation. Give us a call for more details.

Let's look a little closer at the elimination of the lifetime stretch for IRAs. In the past, if a parent were to pass away and leave their qualified accounts to adult children, their adult children could take the distributions over the rest of their lives, essentially "stretching" out the distributions. Now, with distributions to non-spousal beneficiaries (such as adult children), qualified assets must be taken within 10 years.

Let's look at an example:

James passes away 70 years old with \$500,000 in qualified assets, and names his daughter, Laura, as his beneficiary. When he passes, Laura must take the entire \$500,000 within 10 years, adding \$50,000 in additional income annually for each of those 10 years.

James spoke with his agent before his death because he wanted to be able to leave as much to Laura as possible. His agent suggested could place the funds into life insurance so James could pay the taxes himself. Assuming the agent provided James two separate proposals, three years before his death (age 67), here are the two different outcomes:

Single Premium Life Purchase of \$400,000 provides a Non-Guaranteed Death Benefit: \$815,568 Tax Free

Universal Life Purchase of \$500,000 (utilizing premium deposit over five years) provides a Non-Guaranteed Death Benefit: \$1,194,648 Tax Free

Plan Type	IRA	Life	Universal Life
Amount	\$500,000	\$400,000	\$500,000
Death Benefit	\$500,000	\$815,568	\$1,194,468
Combined Taxes	\$100,000 <i>(Paid by Laura)</i>	\$100,000 <i>(Paid by James)</i>	\$100,000 <i>(Paid by James)</i>
Net Benefit after Taxes	\$400,000	\$715,568	\$1,094,468