THE SECURE ACT

Below are key provisions you need to know from The Setting Every Community Up for Retirement Enhancement (SECURE) Act.

1. Eliminate "Stretch" IRAs

The SECURE Act requires benificiaries to completely withdraw inherited IRAs and retirement plans within 10 years and pay the resulting tax liability. The 10-year rule does not apply to some beneficiaries, such as surviving spouses, disabled individuals, minors, and those who are not more than 10 years younger than the account owner. Since retirement accounts make up the largest share of many Americans' net worth, the loss of "Stretch" IRAs may encourage wealthier Americans to consider other and more comprehensive estate planning strategies for their retirement assets.

2. Delay the Start of Required Minimum Distributions (RMDs)

Currently, plan participants and IRA owners must begin taking distributions at age 70.5. The SECURE Act delays RMDs until age 72. This provision recognizes that life expectancy has increased since the first RMD rules were created in 1986.

3. Repeal of Age Limitations for IRA Contributions

The legislation recognizes that more Americans are living longer and working past normal retirement age. As a result, the SECURE Act permits those over age 70.5 with earned income to contribute to a traditional IRA.

4. Increased Tax Credits for Small Businesses

Small business can receive a tax credit for retirement plan start-up costs of up to $5,000. An additional tax credit of $500/year for three years will be available if the plan offers automatic enrollment. Eligible employees will be automatically enrolled in the plan and will have to affirmatively elect out if they do not want to participate. Automatic enrollment increases both plan participation and savings rates among employees.

5. Expansion of multiple-Employer Plans

The act permits unrelated small businesses to share the administrative and financial burden of establishing and maintaining a retirement plan. It also shields employers from the breach of another's administrative and fiduciary duties.

6. Expansion of Plan Eligibility to Long-Term Part-Time Employees

The SECURE Act expands employee coverage to those that have worked at least 500 hours per year for the past three consecutive years.

7. Annuities and Lifetime Income Options in Retirement Plans

The SECURE Act includes several provisions that encourages employers to offer guaranteed lifetime income options in their retirement plans. The legislation simplifies some of the compliance and fiduciary rules by offering a safe harbor provision for annuities. It also requires the plan sponsor to provide plan participants with an annual disclosure that estimates the monthly payment an employee will receive at retirement.

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