SECURE Act overview

Wealth Management

The Setting Every Community up for Retirement Enhancement (SECURE) Act's primary goals are to expand retirement savings, preserve retirement income, simplify existing rules and improve qualified retirement plan administration.

Areas of significant changes

The SECURE Act makes substantial changes to rules affecting traditional IRA contributions, retirement account distributions, 401(k) provisions, and other savings vehicles such as 529 plans.

New IRA rules	401(k) provisions	Other provisions
• Required Minimum Distributions (RMDs) for IRAs and qualified retirement plans are required to start beginning at age 72 (instead of 70½). This change is effective for individuals turning 70½ after December 31, 2019 (i.e. anyone born after June 30, 1949) • Qualified Charitable Distributions (QCDs) remain eligible at age 70½ • Removal of 70½ contribution age limit for IRAs • Elimination of the lifetime "stretch" provision for non-spouse beneficiaries of inherited IRA and other retirement accounts, replaced by a 10-year distribution cap[1] • Non-tuition fellowship and stipend payments may be treated as compensation for IRA purposes	• Long-term, part-time employees who work at least 500 hours per year in at least three consecutive years will be eligible to participate in their employer's 401(k) plan • Increased maximum contributions for 401(k) automatic enrollment from 10% to 15% • Increased tax credits for small businesses offering retirement plans and automatic enrollment provisions • Removal of both the "one bad apple" rule for Multiple Employer Plans (MEPs) and "same industry" rule allowing for adoption of pooled employer plans • Inclusion of ERISA fiduciary safe harbor for selecting an annuity provider for retirement plans and increased annuity portability options for participants	• Qualified education expenses for 529 plans expanded for student loans and apprenticeships • Allowance of qualified disaster distributions up to $100,000 per disaster per year from retirement accounts • Employers may adopt employer-funded plans for a taxable year by the due date of the employer's tax return for that year • Increased penalties for failure to file taxpayer and employee benefit returns • Qualified foster care expenses may be treated as income for contributions to an IRA or defined contribution plan • Within a year of a birth or adoption, ability to withdraw up to $5,000 from retirement accounts penalty-free

Questions

RBC Wealth Management continues to analyze the implications of the SECURE Act. If you have questions in the meantime, please contact your financial advisor.

1. Distributions to non-spouse beneficiaries must be made in their entirety no later than December 31 of the 10th year following the year in which the account owner died, for beneficiaries of individuals who died January 1, 2020 or later. Individuals exempt from the 10-year limit include minor children (though the 10-year period starts upon reaching age of majority), disabled and chronically ill individuals, and any person no more than 10 years younger than the account owner. Also, beneficiaries of individuals who died December 31, 2019 or earlier are "grandfathered" into the lifetime stretch option.

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