



# The SECURE & CARES Acts Impact on Your Clients

The Setting Every Community Up for Retirement Enhancement (SECURE) Act became effective January 1, 2020. Just three months later, the Act was pushed to the back burner by the Coronavirus pandemic prompting a second piece of legislation to be adopted, the Coronavirus Aid, Relief, and Economic Security (CARES) Act. With all the panic that has hit our country in such a short time frame a quick summary of the major changes is in order.

## The SECURE Act

Beginning for 2020, the Secure Act eliminates the age limit for traditional IRA contributions (formerly 70½). If clients are still working, they can contribute to their IRAs regardless of age.

The Secure Act raises the age for beginning required minimum distributions (RMDs) to 72 for all retirement accounts subject to RMDs.

The Stretch IRA is no longer available. With all deaths after December 31, 2019, the stretch IRA is replaced with a 10- year payment rule for the vast majority of beneficiaries. The rule requires accounts to be emptied by the end of the tenth year after the year of death. There are no more annual RMDs on inherited IRAs. This new 10-year rule does not apply to all IRA beneficiaries. There are five classes of “eligible designated beneficiaries” (EDBs) who are exempt and can still stretch RMDs over their life expectancy. These include surviving spouses, minor children, disabled individuals, the chronically ill, and beneficiaries not more than 10 years younger than the IRA owner.

## The CARES Act

The Cares Act includes a waiver of RMDs for 2020. This waiver applies to IRAs, including both traditional and Roth inherited IRAs, and company savings plans.

The Cares Act provides special tax relief for retirement plan distributions, including IRAs. This relief does not include everyone, just those that meet the criteria. Those who do qualify will not sustain a 10% early distribution penalty if they are under age 59½.

A person is eligible to take a “coronavirus related distribution” (CRD) only if they:

- Are diagnosed with the SARS-CoV-2 or COVID-19 virus based on an approved test; or
- Have a spouse or dependent who is diagnosed; or
- experience “adverse financial consequences” on account of being quarantine due to the coronavirus.

**For more information on these changes, please contact Joe Corio, Senior Vice President, at 717-216-8039.**