

Nicole Ferrell

From: Parkhurst Financial Services, Inc. <info@parkhurstfinancial.com>
Sent: Thursday, December 26, 2019 1:35 PM
To: nicole@parkhurstfinancial.com
Subject: [Test] Important Legislative Update - SECURE Act becomes law

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As we discussed at our October client event, the Setting Every Community up for Retirement Enhancement (SECURE) Act was

approved in the U.S. House of Representatives on May 23. The bill had stalled in the Senate due to objections from some lawmakers. Supporters of the legislation recently added it to the year-end government spending bill, and it was passed and signed into law by the President shortly before Christmas.

The passage is the most significant change to the nation's retirement system in more than a decade. It is meant to encourage people to save more, given lawmakers are concerned about Americans outliving their money. With the U.S. population aging and pension plans declining, the burden in saving for retirement has clearly shifted to individual families. With many not saving an appropriate amount, it is setting up millions of Americans to be unprepared and unable to have the traditional retirement many hope for.

The bill contains many different provisions, including encouraging more businesses to offer a retirement plan to their employees, and using tax credits as an incentive for small businesses to set one up. It expands the ability of small businesses to share in the administrative and financial burden of establishing and maintaining a retirement plan. (1)

There are three key provisions we feel all our clients should be aware of:

1. Delaying the Start of Required Minimum Distributions (RMDs) --

Currently, plan participants and IRA owners must begin taking distributions at age 70½. 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. Please note that this change only applies to account owners who turn 70½ after December 31, 2019 (thus if you are currently on RMD you'll need to continue

those distributions).

2. Repeal of Age Limitations for IRA Contributions-- As mentioned earlier, the legislation recognized more Americans are living longer, continuing to work at later ages, and need to save more for retirement. As a result, the SECURE Act permits those over age 70½ with earned income to contribute to a traditional IRA.

3. Eliminate Stretch IRAs-- The biggest provision, in our opinion, is the requirement by the SECURE Act for many people who inherit tax-advantaged retirement accounts after December 31 to completely withdraw them within 10 years and pay any taxes due. Currently, many beneficiaries can liquidate those accounts, know as Stretch IRAs, over their own lifetimes. The new 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. In making this change several legislators noted that tax-favored retirement accounts should be used mainly for the owner and their spouse's retirement security and weren't meant to carry on in perpetuity to future generations. Please note that this law takes effect for IRA owners who have passed after December 31, 2019. Thus, if you are currently the heir of an IRA whose original owners died before January 1, 2020, you can continue receiving distributions over your own lifetime. Also note that with the new 10-year rule, the legislation doesn't require heirs to take annual withdrawals. So, payouts could be postponed, potentially all the way until the 10th year (which could trigger higher tax brackets later) (2)

For further information, click [HERE](#) for a *Kiplinger* article from December 19th which outlines more of the changes coming. We realize there will be questions about how this new legislation may apply to your individual situation and look forward to reviewing these changes with you as we work together in 2020.

Best regards,

The Parkhurst Team

1. Tergesen, Anne "Congress Approves Sweeping Overhaul of Retirement System" – Wall Street Journal, December 20, 2019
2. The Secure Act summary- Prudential Insurance Company- 12/2019



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Our mailing address is:

Parkhurst Financial Services, Inc.

10950 Pearl Rd, Suite A-6

Strongsville, OH 44136

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