Getting to know the SECURE Act

Designed to make saving for retirement easier and more accessible, the Setting Every Community Up for Retirement Enhancement (SECURE) Act was signed into law on December 20, 2019.

How it could affect you and your retirement

These provisions of the SECURE Act went into effect January 1, 2020:

- The starting age for required minimum distributions (RMDs) has been pushed back from 70½ to 72 for people who reach 70½ in 2020 and later. If you turned 70½ in 2019 or earlier, you are subject to the required beginning date of 70½ and must continue taking RMDs. Generally, RMDs in retirement plans don't need to start until you retire regardless of your age.
- Contributions to IRAs beyond age 70½ are now allowed. For taxable years 2020 and beyond, anyone with earned income can contribute to a traditional IRA regardless of age.
- For most non-governmental retirement plans and IRAs, RMD requirements for beneficiaries may change depending on your named beneficiary. Beneficiaries are now required to receive the entire balance within 10 years — instead of over their lifetime as under prior law. However, eligible designated beneficiaries, including spouses, minor children, disabled or chronically ill persons, or a beneficiary not more than 10 years younger than the deceased account owner, can continue taking distributions over their life expectancy. This provision does not apply to governmental or collectively bargained plans until January 1, 2022.

Other provisions that are still being discussed and evaluated will:

- Allow governmental 457(b) plans to offer in-service withdrawals at age 59½ (previously age 70½).
- Allow money purchase plans to offer in-service withdrawals at age 59½ (previously age 62).
- Make it easier for part-time employees to become eligible to contribute to a plan but not for employer contributions.
- Permit plans to offer penalty-free withdrawals up to $5,000 per parent upon the birth or adoption of a child.
- Allow parents to use 529 plan funds to pay down student debt.

Stay tuned for more: Empower is evaluating these changes as well as others in the SECURE Act. We will provide more information as we obtain further regulatory guidance and verification of how the changes may be implemented for your employer's plan.

The bottom line

The SECURE Act is bringing about some changes in the industry and could affect your retirement planning. Still, one of the simplest and best ways to impact your retirement outcome is to keep saving in your retirement plan.

For more information about your plan,
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NOW IS A GOOD TIME