

The SECURE Act:
THE THREE THINGS YOU
ACTUALLY NEED TO KNOW



Metairie Office:

2800 Veterans Memorial Boulevard, Suite 170
Metairie, LA 70002

Mandeville Office:

4030 Lonesome Road, Suite A
Mandeville, LA 70448

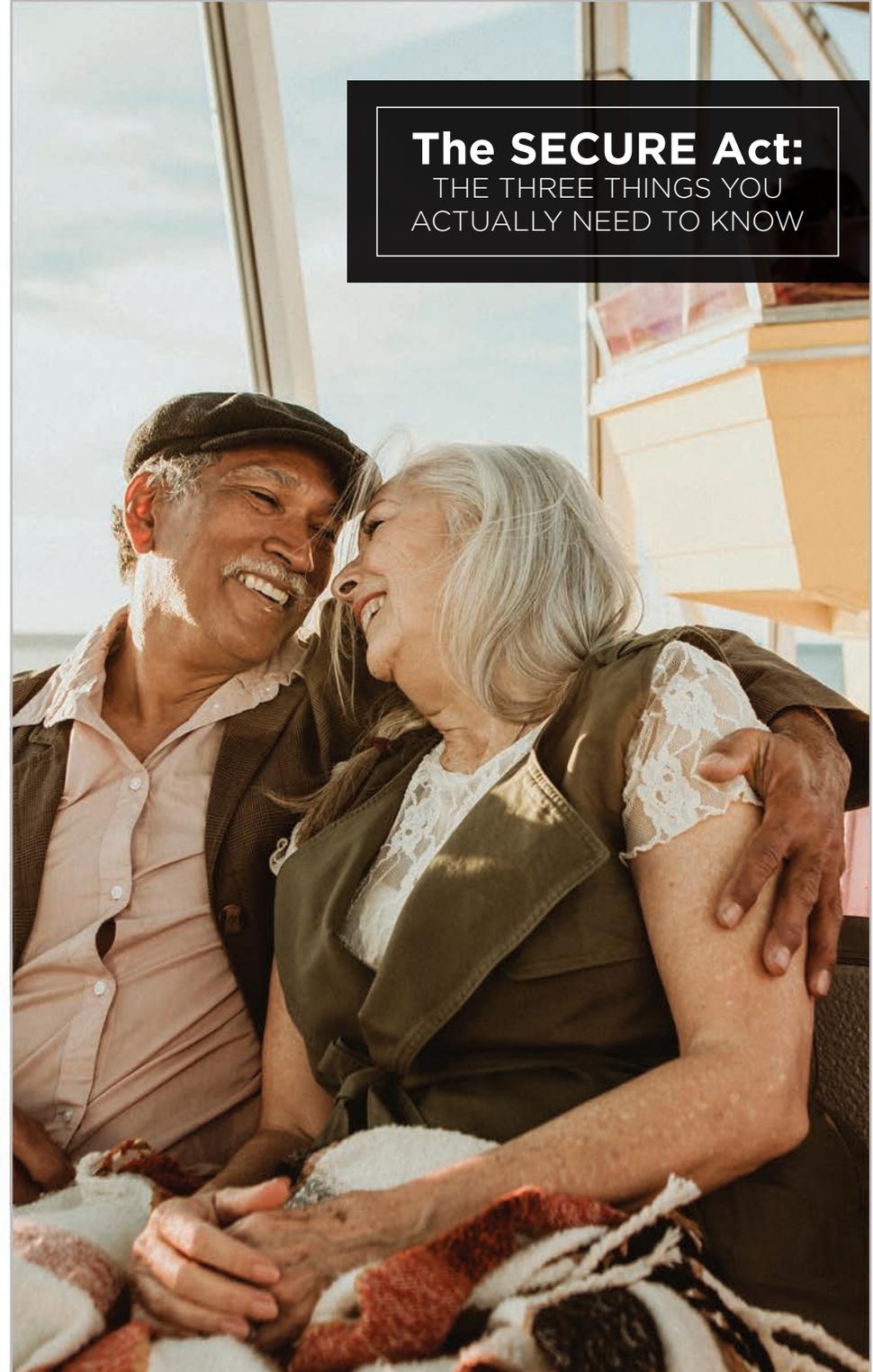
Gulfport Office:

8930 Lorraine Road, Suite C
Gulfport, MS 39503

(504) 832-9200
info@gregoryricks.com
gregoryricks.com

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Recent enactment of the SECURE Act establishes several new provisions that will affect most Americans who are saving for retirement. As with much legislation passed in Washington, the SECURE Act is an acronym, which stands for Setting Every Community Up for Retirement Enhancement.

Whether that makes you feel more secure about your retirement depends on your interpretation and understanding of the new requirements. The intention of lawmakers, however, is to fortify retirement security for Americans throughout the country.

Following are three aspects of the SECURE Act that will most likely impact your retirement planning:

1. RECONSIDER PLANS TO PASS ON YOUR IRA TO YOUR CHILDREN OR GRANDCHILDREN

The “Stretch IRA,” at least in its previous form, no longer exists. Beneficiaries who inherit IRAs can no longer leave that money in tax-deferred status forever. Instead, beneficiaries must deplete the inherited IRA within 10 years unless the assets are left to a spouse or another beneficiary who meets certain exceptions or exemptions.

Those who do not meet the exemptions must take larger distributions during the new 10-year window, and incur a stiffer tax obligation, at a time in life when they may not need the additional funds.

Whether you plan to leave an IRA to loved ones, or you expect to inherit an IRA, you need to be aware that the tax burden may occur at the worst possible time. Either you, if you inherit an IRA, or your beneficiaries, if you leave them your IRA, could conceivably pay taxes during their peak earning years.

As a rule of thumb, you should not designate your kids as the primary beneficiary on anything if your spouse is living. Consult a trusted financial advisor to review the beneficiaries on your accounts.

2. BE AWARE OF CHANGES IN AGE PROVISIONS FOR REQUIRED MINIMUM DISTRIBUTIONS

One favorable change from the SECURE Act is the start date for taking required minimum distributions (RMDs) changed to age 72 from age 70½. You no longer need to perform the awkward math required for verifying your unceremonious half-birthday. Also, you can start withdrawing money from your accounts, and paying taxes on those withdrawals, a bit later, by at least April 1 of the year *after* you reach 72.

It is important to remember to calculate and plan for taking RMDs because a hefty 50% penalty is imposed on every dollar not withdrawn properly.

Congress enacted the change in dates because life expectancies continue to rise. If retirees are living longer, it seems only fair to defer taxes longer, too. Be aware of the correct dates for taking RMDs and the tax burden those withdrawals create. Your financial advisor can refer you to a qualified accountant.

3. AGE LIMITATIONS NO LONGER EXIST FOR CONTRIBUTING TO A TRADITIONAL IRA

Increased life expectancies also prompted elimination of the maximum age for traditional IRA contributions as more Americans are working beyond traditional retirement thresholds.

Previously, if you worked past the age of 70½, you could contribute post-tax dollars to a Roth IRA but not pre-tax dollars to a traditional IRA. Now, anyone who continues to work up to their 71st birthday and beyond can invest wages into a traditional IRA. This creates the additional possibility for converting a traditional IRA into a Roth IRA to enjoy potential tax benefits.

Roth conversions can be a great method for growing and distributing tax-free funds to yourself and your beneficiaries because you’re not taxed on gains or distributions from a Roth account. However, Roth conversions are not ideal for everyone.

The process requires proper budgeting. A financial advisor can evaluate your situation, assess strategies for contributing to a traditional IRA and determine if Roth IRA conversions are advantageous for you. A Roth conversion is a taxable event and may have several tax-related consequences. Be sure to consult with a qualified tax advisor before making any decisions regarding your IRA.

HOW TO RESPOND TO CHANGES INITIATED BY THE SECURE ACT

The SECURE Act includes several changes beyond the three aspects outlined here. Additional arrangements should be considered to address provisions related to estate and retirement planning.

A trusted advisor can either directly assist or help you find assistance with matters pertaining to the SECURE Act.

What are your best moves?

1. Contact an estate planning attorney
2. Have your beneficiaries reviewed by an advisor
3. Determine benefits of Roth IRA conversions
4. Review any existing trusts
5. Consider a Charitable Remainder Trust