Keeler & Nadler: A Closer Look

Dear Friends of Keeler & Nadler,

Welcome to our winter issue of ***Keeler & Nadler: A Closer Look***. In this issue we will discuss the new SECURE Act.

Best Regards,

Andrew P. Keeler, CFP®
Richard D. Nadler CFP®, CPA, MBA

Photo by Creative Vix from Pexels

The Impact of the new SECURE Act

In the 11th hour of 2019, Congress passed a new law called the Setting Every Community Up for Retirement Enhancement ("SECURE") Act. The SECURE Act includes many changes that will impact individuals and business owners from a tax standpoint as it relates to retirement accounts. Let's look at some of the changes that we believe have the greatest impact.

Required Minimum Distribution (RMD) starting age is now 72

70 ½ has long been the starting age for RMDs. Following that age, the IRS required you to take distributions from IRAs, 401(k)s and similar retirement accounts and hence, pay tax on it each year. The SECURE Act moves this starting age back a year and half to 72. Also, if you plan on working past age 70 ½, you can now make deductible IRA contributions.

This move makes sense. It has never changed since RMDs have been in existence and yet people are living longer in retirement these days. With this extra amount of time, it could give us an opportunity to position you in a more favorable tax position before you are required to take money out (through Roth conversions or charitable giving for example).

***Important note**: If you turned 70 ½ in 2019, you will still need to take RMDs this year.

***Important note**: Qualified Charitable Distributions (QCDs) are still allowed starting at age 70 ½. It's possible that will change, but it is still allowable right now (not pushed back to 72).

Inherited Retirement Accounts must be fully distributed within 10 years

Inheritors of retirement accounts also have RMDs, no matter what age they inherit the account(s). Until now, beneficiaries would typically choose to base their distributions off their age and life expectancy, meaning the younger you are, the smaller the amount you're required to take each year. With the SECURE Act, beneficiaries will now have to distribute the entire account within 10 years.

This would mean a dramatic increase in taxable income in some cases. For example, under the old rule if you inherited an IRA at age 50, you would have to withdraw about 3% in the first year (about a third of the account over ten years). Now, you would need to withdraw three times that amount, producing much more taxable income that you may not want.

***Important note:** This new rule does not include anyone who inherited retirement accounts prior to 2020; you would be grandfathered under the previous law. Also, this only applies to non-spouse beneficiaries. A spouse can still inherit a retirement account and use their own life expectancy as in previous years.

SECURE Act continued…

529 College Savings accounts used for student loans

The SECURE Act also includes a provision that would allow student loans to be considered a qualified expense for 529 accounts (up to $10,000). This could create an interesting opportunity for anyone that might have leftover money in a 529 (maybe from a different beneficiary) or even contributing to a 529 just to receive a state tax deduction before paying down student debt.

These are just a few of the major changes that have come with the new SECURE Act.

Others affect business owners that offer 401(k) plans for employees such as:

- Higher tax credits for small businesses establishing a retirement plan.
- Opening the door for group retirement plans to include annuities within them.
- Giving a tax credit for setting up an auto-enrollment feature in the retirement plan.

The ink has barely dried on this new law, but we are keeping a close eye on things to make sure we are giving you timely guidance. If you have questions about how this specifically impacts your situation, please give us a call.

By: Mark Beaver, CFP®

Come See our New Office!

Open House

March 5th, 4:30-7:00

Come join us for drinks and hors d'oeuvres as you tour our new office space! The fresh new space includes several Andy Keeler workshop creations!

You can let us know you're coming by emailing: linda.lipps@keelernadler.com

Notes

Have you visited our Blog?

If you want to stay up-to-date on financial planning topics and issues, check out the blog on our website. You'll find articles from our newsletter as well as other timely commentaries.

www.keelernadler.com/blog

Holiday Schedule

Good Friday – April 10th (market closed, banks are open)

Memorial Day – May 25th (office and market closed)

Like us on Facebook!

facebook.com/KeelerNadler

Keeler & Nadler Family Wealth | 485 Metro Place South, Suite 100 | Dublin, OH | 43017
P: 614.791.4123 | F: 614.389.0496