KARMIN CAPITAL

Changes in IRA and Retirement Rules

We wanted to update you on changes in the law which may affect your IRAs and retirement. The Setting Every Community Up for Retirement Enhancement ("SECURE") Act, which just went into effect on January 1st, changed the rules regarding the use of qualified retirement accounts (which include IRAs) and 529 plans. The key changes are outlined below.

- **Starting age for Required Minimum Distributions ("RMDs") of Traditional IRAs increased:** Individuals must now start taking RMDs once they turn 72-years old, as opposed to the previous 70.5 age threshold. This applies to individuals turning 70.5 in 2020 or later.

- **Age-limit for contributing to a Traditional Individual Retirement Account ("IRA") repealed:** Individuals can now contribute to their Traditional IRAs after the age of 70.5 if one is still working.

- **Stretch-provision for non-spousal account inheritors of IRAs eliminated:** Inherited IRAs now must distribute all assets within 10 years of the account owner's death. This change only applies if the account owner passed away after December 31st, 2019.
    - Eligible designated beneficiaries including: i) spouses ii) inheritors less than 10 years younger than the decedent iii) minor children and iv) chronically ill and/or disabled persons **may continue** to distribute assets over their life expectancy.

- **Qualified birth or adoption distribution established:** Upon birth or adoption of a child, individuals may now withdraw up to $5,000 per parent from an applicable defined contribution plan, such as a 401(k) or IRA, without penalty.

- **Qualified education expenses for 529 funds expanded**: 529 plans can now be used to pay down up to $10,000 in student loans and pay for apprenticeship programs.

- **Small-business owners starting an employee-sponsored retirement plan can receive a tax credit:** Credit applies to employers with up to 100 employees and covers SEP, SIMPLE, 401(k) and profit-sharing plans (credit ranges from $500-$5,000). If the plan includes automatic enrollment, an additional credit of up to $500 is now available. We have helped clients establish retirement programs for their employees. Please contact us if that interests you.

- **Other provisions to encourage participation in employee-sponsored plans:**
    - Contribution cap for 401(k) automatic enrollment raised from 10% to 15%.
    - Starting in 2021, part-time employees who work at least 500 hours in at least three consecutive years will be eligible to participate in their employer's 401(k) plan.

- **Annuities now permitted in employee-sponsored plans:** Annuities were previously excluded as investment options from employee-sponsored plans.

Please feel free to reach out to Alissa Hirsh at Alissa.Hirsh@Fortllc.com for more details about how the SECURE Act may affect your retirement.

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