The SECURE Act: Impact to Individual Taxpayers

The Setting Every Community Up for Retirement Act (SECURE Act) is effective January 1, 2020, bringing changes that will impact retirement planning strategies.

LONG BEACH, CALIFORNIA, UNITED STATES, March 22, 2020 /EINPresswire.com/ -- The Setting Every Community Up for Retirement Act (SECURE Act) became effective January 1, 2020, bringing about changes that will impact a variety of retirement planning strategies. The SECURE Act is the most significant overhaul of retirement legislation since the Pension Protection Act of 2006. The following are some of the key provisions that may affect taxpayers' retirement and income taxes.

Required Minimum Distributions (RMDs) Begin at Age 72

Prior to the passage of the SECURE Act, once an IRA owner turned age 70½, RMDs were required to be paid each year from the IRA. The same rule also applied to other employer tax-deferred accounts (401(k), 403(b) & 457). The age has now been increased to 72 for taxpayers who turn 72 on or after January 1, 2020.

No Age Limit to IRA Contributions

Beginning January 1, 2020, taxpayers of any age with earned income can contribute to traditional IRAs. Previously, no contributions were allowed after age 70½.

10-Year Payout Rule on Non-Spouse Inherited IRAs

For more information about this change, please see the Solutions article by Donita Joseph in this quarter's Solutions Newsletter.

Adoption/Birth Expenses Qualify as Penalty-Free Withdrawal

In general, there is a 10% early withdrawal penalty for IRA distributions before age 59½. There are exceptions to this rule which include withdrawals for the death of the account owner, disability, first time home purchase, and higher education expenses, among others. In addition to these exceptions, under the SECURE Act, up to $5,000 per person ($10,000 per couple if each spouse has a separate retirement account in his/her own name) can be withdrawn, penalty-free, to cover expenses related to birth or adoption of a child.

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