Setting Every Community Up for Retirement Enhancements Act

Original **SECURE Act** passed on 12/20/2019

Key Highlights:

1. *RMD age increase from 70 ½ to 72 (temporarily)*
2. *New Inherited IRA rules – EDB vs non-EDB*
3. *Other IRA benefits: Repeal max age contributions & w/d for birth or adoption*

1.) RMD age changes:

IRS moved the RBD to April 1st following age 70 ½ to now April 1st following age 72 (temporarily).

2.) New Inherited IRA rules – EDB vs non-EDB:

New classifications of IRA beneficiaries either Eligible Designated Beneficiary or Non-Eligible Designated Beneficiary.

- **EDB** – 1) spouses, 2) minor children, 3) disabled/chronically ill, 4) individuals not more than 10 years younger than IRA owner. Has the option to choose lifetime stretch or 10-year
- **Non-EDB** – Everyone else is subject to 10-year rule – *Are RMDs needed? Depends…*
- **"See-through" Trust scenario as IRA beneficiary**

*** Any income annuity issued prior to 12/20/2019 is grandfathered into the pre-SECURE act lifetime stretch rules**

*** All beneficiaries of existing Inherited IRAs (under the lifetime stretch) are forced into the 10-year rule regardless of relationship**

Questions to ask: **1) When did the IRA owner die? 2) How old was the IRA owner? 3) Who is the beneficiary & their relationship?**

3.) Other IRA benefits: Repeal max age contributions & w/d for birth or adoption:

- IRA max contribution age was 70 ½ but now repealed. Anyone at any age can make IRA contributions if they have earned income.
- IRA withdrawals for birth or adoption not subject to 10% early withdrawal penalty

Setting Every Community Up for Retirement Enhancements 2.0

SECURE 2.0 passed on 12/29/2022

Key Highlights:

1. *RMD age increase to 73 (75 in 2033)*
2. *QLAC limits increase*
3. *Income Annuities aggregation*

1.) RMD Changes: IRS moved the RBD from April 1st following age 72 to now April 1st following age 73. Plans to move to age 75 in 2033.

- Penalty for missing RMD was 50% of the RMD not taken decreased to now 25%
    - The penalty reduced to 10% if the RMD failure is corrected within correction window

2.) QLAC limits increased: Higher QLAC Limits - $200,000 vs $155,000 (inforce QLAC additional premium)

- Can be the full IRA balance up to the limit (No more 25% rule)
- The new $200,000 limit is indexed to inflation (applies to new QLAC contracts issued in 2023)
- No prior IRA balance required
- Can still be a single lump sum or flexible premium up to the limit

3.) Income Annuities RMD Aggregation:

Individuals can now aggregate income annuities and outside IRA accounts for purposes of determining RMDs. Benefits include:

- Can help lower distribution amounts from outside accounts
- May reduce federal income taxes paid
- Allow savings to last longer
- Income Annuities can be an even more effective planning tool

***Remember use prior year's 12/31 IRA balances including the Fair Market Value (FMV) for IRA income annuities.**

IRS UNIFORM LIFETIME TABLE

To calculate RMDs, use the following formula for each account:

Account Balance as of December 31 last year* ÷ **Life Expectancy Factor** see the Uniform Lifetime Table** below to find the factor using the age you turn this year = **Your RMD**

Uniform Lifetime Table

Age	Life Expectancy Factor
72	27.4
73	26.5
74	25.5
75	24.6