SARD
WEALTH MANAGEMENT GROUP, LLC

**CLIENT NEWSLETTER** **BY: JONATHAN SARD, CFP®**

**1st QUARTER - 2020**

**IMPORTANT INFORMATION**

As it turned out, 2019 was a terrific year for markets around the world in spite of all the worrisome headlines! There were also changes to some retirement planning laws (SECURE Act is discussed below), retirement plan contribution limits for 2020, and some state 529 plans.

For 2020, 401k, 457, and 403B contribution limits have been raised from $19,000 to $19,500 and the catch-up contribution limit has been raised from $6,000 to $6,500. Simple IRA contribution limits have been raised from $13,000 to $13,500, but the $3,000 catch-up contribution limit has stayed the same. IRA contribution limits have stayed the same at $6,000 for regular contributions and $1,000 for catch-up contributions for 2020.

The state of Georgia has also raised the limit on the state income tax deduction for contributions made to the Georgia 529 plan going from $4,000 to $8,000 per beneficiary for joint filers, and going from $2,000 to $4,000 per beneficiary for single filers.

Lastly, a reminder for all our clients over the age of 70 ½ who made Qualified Charitable Distributions in 2019 to be sure to remember not to pay the tax on the amount distributed even though it will show up on your 1099.

# The SECURE Act

## *Long-established retirement account rules have changed*

Although we sent out an email alert a couple of days ago discussing some of the provisions of the new legislation, we thought we would send out the information again given its importance. At the end of 2019, Congress passed the Setting Every Community Up for Retirement Enhancement (SECURE) Act. This legislation provides some of the biggest changes to retirement savings law in recent years. While the new rules don't appear to amount to a massive upheaval, the SECURE Act will require a change in strategy for many investors. For others, it may reveal new opportunities. Although there are many new provisions, we have decided to highlight the major changes below.

The legislation "modifies" the required minimum distribution rules in regard to defined contribution plans and Individual Retirement Account (IRA) balances upon the death of the account owner. Under the new rules, distributions to individuals are generally required to be distributed by the end of the 10th calendar year following the year of the account owner's death.[1]

As usual, penalties may occur for missed RMDs. Any RMDs due for the original owner must be taken by their deadlines to avoid penalties. A surviving spouse of the IRA owner, disabled or chronically ill individuals,

individuals who are not more than 10 years younger than the IRA owner, and child of the IRA owner who has not reached the age of majority may have other minimum distribution requirements.

As an example, let's say that a person has a $1 million IRA. Under the new law, your beneficiary may consider taking at least $100,000 a year for 10 years regardless of their age. For another example, say you are leaving your IRA to a 50-year-old child. They must take all the money from the IRA by the time they reach age 61. Prior to the rule change, a 50-year-old child could "stretch" the money over their expected lifetime, or roughly 30 more years. **Keep in mind that this law is effective on January 1st, 2020 so it will only impact IRAs inherited after 2019.**

The new limits on IRAs may force account owners to reconsider inheritance strategies and review how the accelerated income may affect a beneficiary's tax situation.

Another major change is the removal of the age limit for traditional IRA contributions (Roth IRA contribution continue to be permitted after age 70 ½). Before the SECURE Act, you were required to stop making contributions at age 70½. Now, you can continue to make contributions as long as you meet the earned-income requirement.[2]

Also, as part of the Act, you are now mandated to begin taking required minimum distributions (RMDs) from a traditional IRA at age 72, an increase from the prior 70½. Allowing money to remain in a tax-deferred account for an additional 18 months (before needing to take an RMD) may alter some previous projections of your retirement income.[2]

The SECURE Act's rule change for RMDs only affects Americans turning 70½ in 2020. For these taxpayers, RMDs will become mandatory at age 72. If you meet this criterion, your first RMD won't be necessary until April 1 of the year after you turn 72.[2]

In terms of wide-ranging potential, the SECURE Act may offer its biggest change in the realm of multi-employer retirement plans. Previously, multiple employer plans were only open to employers within the same field or sharing some other "common characteristics." Now, small businesses have the opportunity to buy into larger plans alongside other small businesses, without the prior limitations. This opens small businesses to a much wider field of options.[1]

Another big change for small business employer plans comes for part-time employees. Before the SECURE Act, these retirement plans were not offered to employees who worked fewer than 1,000 hours in a year. Now, the door is open for employees who have either worked 1,000 hours in the space of one full year or to those who have worked at least 500 hours per year for three consecutive years.[2]

While the SECURE Act represents some of the most significant changes we have seen to the laws governing financial saving for retirement, it's important to remember that these changes have been anticipated for several years and we wrote about the possible changes in our 2019 3rd quarter newsletter. This new legislation will provide opportunities for some, while also requiring many to consider new distribution, IRA conversion, and beneficiary strategies. SWMG will discuss these changes during client reviews to best meet the planning needs of our clients.

There are always a lot of strategies to think about and we always stress how important it is to plan. Be sure you are sitting down with us on a regular basis to discuss your entire financial situation. Each quarter we want to remind you to alert us to changes in your financial situation or investment objectives to ensure that we are aware of any situation that might require changes in the management of your accounts. Please remember to contact us to discuss how these changes impact your investment accounts!

**Citations.**

1 - waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/SECURE%20Act%20section%20by%20section.pdf [12/25/19]

2 - marketwatch.com/story/with-president-trumps-signature-the-secure-act-is-passed-here-are-the-most-important-things-to-know-2019-12-21 [12/25/19]

*We wanted to thank those of you who have participated in our Client Introduction program. As you know, marketing for new clients takes a great deal of money, time, and energy and we would much rather spend our resources improving your financial health. We, like most businesses are looking to grow; however, for the benefit of our existing clients we are only able to take on a limited number of new clients each year. Over the years, we have learned that encouraging you to introduce us to people you know works well for all of us…we help you, and you help us. If you aren't familiar with our friends helping friends program, please call our office or be sure to ask us at your next meeting. The few minutes it takes to learn about how it works will be well worth your time and energy!*

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