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Dear Clients & Friends:

You may have read in the news about the SECURE (Setting Every Community Up for Retirement Enhancement) Act that went into effect on January 1, 2020 and wondered if it will affect your retirement accounts. This Act makes some very significant changes to required minimum distribution (RMD) rules as related to Individual Retirement Accounts (IRAs) and other retirement plans, in addition to changes in other areas.

Some of these changes will affect the Internal Revenue Code, and will have an impact on your financial planning and other financial interests. Although there are some questions that will need to be answered in the future by the Department of the Treasury, you should be aware of the provisions that impact you.

#### Required Minimum Distributions:

- **You can delay RMDs until age 72.** If you became age 70½ on or after January 1, you can elect to start taking requirement minimum distributions (RMDs) until April 1 of the year you reach 72. An additional delay of one year may also be possible, with further restrictions.
- **New 10-year "stretch" window for inherited retirement accounts.** Previously, the window was for the remaining "on paper" life expectancy of the first beneficiary. Under the new rules, a maximum 10-year stretch window applies, but with various exceptions. This means that unless an exception applies, the entire retirement account must be distributed by the end of the tenth year following the retirement account owner's death. In such case, no annual distributions are required prior to the end the 10-year period.
- **Exceptions to 10-year stretch window.** Some beneficiaries can continue to use their own life expectancy, including beneficiaries who are spouses (who also retain the right to spousal rollovers), disabled or chronically ill, or not more than 10 years younger than the decedent. For minor (as defined by state law) children of the original owner, age-based RMDs must be taken until the child reaches the age of state-defined majority, then the 10-year rule applies.
- **Multiple beneficiaries.** For inherited accounts where the original owner died prior to January 1, 2020, the old rules still apply; however, if the original beneficiary dies, the successive beneficiary will be subject to the 10-year stretch rule.
- **Trusts.** Conduit trusts require the RMD to be distributed fully to the beneficiaries, whereas accumulation trusts allow an accumulation of the RMD in the trust. There are specific additional exceptions for accumulation trusts if the trust benefits a disabled or chronically ill individual.
- **Qualified charitable distributions.** Distributions up to \$100,000 from an IRA only to bona fide 501(c)(3) charities are still available beginning at age 70½.

#### Miscellaneous Provisions:

- **Exception to 10% early distribution penalty.** Now up to \$5,000 can be distributed penalty-free for a qualified birth or adoption; the distribution must occur during a one-year period beginning on either the date of birth or the finalization of adoption of a child under 18.
- **Contributions to IRA after age 70½.** Contributions can be continued so long as the individual receives compensation from either wages or self-employment income.

- **529 Plan funds for K-12 expenses.** Allowable expenses are further expanded to include apprenticeship programs for fees, books, supplies and required equipment. The program must be registered with the Department of Labor to be eligible.
- **"Kiddie" Tax on Unearned Income.** The SECURE Act has now once again reverted to the previous rule which uses the parents' marginal tax rates. Additionally, individuals can file amended tax returns and can elect to apply this change retroactively for taxable years 2018 and 2019.

As you can see, there are many new provisions that can affect your overall financial plan for your retirement years. Please let me know if you have any questions or would like more detailed information about the SECURE Act or would just like to discuss your financial needs. I appreciate the trust and confidence you place in me as we work toward achieving your financial goals.

Sincerely,

Li-Su Tan  
Registered Representative  
Investment Adviser Representative

This communication is designed to provide accurate and authoritative information on the subjects covered. It is not, however, intended to provide specific legal, tax, or other professional advice. For specific professional assistance, the services of an appropriate professional should be sought.