Special Estate Planning Alert - Call To Action

February 19, 2020 **|** by Gary Botwinick, Matthew Rheingold

This blog is provided to you as part of the service that we provide to our clients in connection with estate planning. It is intended to advise you of a significant change in the manner in which inherited retirement accounts are treated and the unintended consequences that may result if your estate plan is not reviewed as soon as possible. Please read this carefully to consider the changes in the law and how the changes might affect you, your intended beneficiaries and your estate plan.

On December 20, 2019, President Trump signed into law the Setting Every Community Up for Retirement Enhancement Act, or the SECURE Act. Effective January 1, 2020, the SECURE Act implemented substantial policy changes which significantly modify various laws regarding qualified retirement accounts. We have highlighted several of these provisions below:

- **Inheriting an IRA – the New 10-Year Rule.** Prior to the SECURE Act, individual (non-spouse) beneficiaries of qualified retirement accounts were able to withdraw the inherited accounts in a delayed fashion over the recipient-beneficiary's life expectancy, thus allowing significant unwithdrawn amounts to continue to grow tax in a tax-deferred manner (the "Stretch IRA"). The SECURE Act eliminates the use of "Stretch IRAs," except in a limited number of circumstances, now requiring that a deceased individual's entire interest in an IRA or other qualified retirement plan must be fully distributed to the designated beneficiary within 10 years of the account owner's death. Exceptions are provided for "eligible designated beneficiaries," which include (i) surviving spouses, (ii) minor children and (iii) disabled and chronically ill beneficiaries. The rules governing when an eligible designated beneficiary must withdraw from the account vary depending on the identity of such beneficiary.
- **Commencement of Required Minimum Distributions at Age 72.** The SECURE Act delays the age at which an individual is required to start withdrawing money from his or her traditional retirement accounts from age 70 ½ to age 72.
- **No Age Restrictions on IRA Contributions***.* The SECURE Act repeals the maximum age for contributions to traditional IRA for taxable years beginning after December 31, 2019.

Your estate plan may have been designed, prepared and executed prior to the enactment of the SECURE Act. Consequently, the changes implemented by the SECURE Act may alter the timing and manner in which your beneficiaries inherit your retirement assets. More specifically, the new distribution rules may (i) cause unintended tax consequences to the beneficiaries and/or (ii) accelerate the distribution of benefits from a trust in a manner inconsistent with your intentions. It is imperative that you contact our office as soon as possible to schedule a consultation to determine if you need to make any changes to your estate plan.

For more information on the SECURE Act, please click here.

We recommend that you schedule a meeting with one of the attorneys in our Tax/Trust and Estate Department to review your estate plan and to discuss how the implementation of the SECURE Act might affect your plan.