New Retirement Rules

SECURE Act of 2019

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TOPIC	NEW RULE	COMMENTS
$5,000 tax credit for small businesses starting retirement plans	Increases the tax credit available for small business retirement plan start-up costs up to $5,000 for up to three years. Plus a new $500 tax credit for startup costs for plans that begin implementing automatic enrollment.	Increasing the credit for plan start-up costs will make it more affordable for small businesses to set up retirement plans. Firms with fewer than 20 workers made up 89% of employers in the United States.
401(k) auto-enrollment deferral cap boosted to 15%	Companies that auto-enroll employees in a 401(k) plan can automatically defer up to 15% of a salary (after the first year) instead of 10%.	This allows companies to ultimately put more money into their workers' retirement accounts while keeping the potential shock of higher initial contribution rates in check.
Lifetime income disclosure in 401(k) statements	401(k) plan administrators must provide an annual statement that shows the plan balance calculated as a monthly lifetime income stream rather than a lump sum.	The act also makes it easier for 401(k) plan sponsors to offer annuities and other "lifetime income" options.
No more age limits for contributing to an IRA	Savers are no longer barred from contributing to a traditional IRA after age 70½, as long as they have earned income.	There are currently no age-based restrictions on contributions to a Roth IRA.
No "forced" IRA spending until age 72	The Required Minimum Distribution (RMD) starting age increases from 70½ to 72.	This is an extra 18 months account owners can let their retirement funds grow before being forced to tap into them.
401(k) plans for part-time workers	401(k) plans will now be available to part-time employees who have worked at least 500 hours per year for at least three consecutive years or 1,000 hours throughout the year.	This is especially good news for women, who are more likely to work part-time for caregiving reasons and be behind on retirement savings.
Penalty-free withdrawal for new parents	New parents can take penalty-free withdrawals from a retirement account for the birth or adoption of a child.	Each parent can take out up to $5,000 (for each child) without paying the usual 10% early-withdrawal penalty.

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Graduate and post-doctoral students eligible for IRA contributions	Amounts paid in the pursuit of extended study (such as graduate or post-doctoral fellowships or research) will be considered "earned compensation," which is a requirement for IRA contributions.	This allows students to begin saving for retirement sooner. Similarly, "difficulty of care" payments to foster care providers would also be considered compensation when it comes to 401(k) and IRA contribution requirements.
Use of 529 accounts to pay off student loans	Allows withdrawals of up to $10,000 from 529 education savings plans for repayments on student loans.	529 plans can now also cover costs associated with registered apprenticeships. The Tax Cuts and Jobs Act of 2017 allows up to $10,000 per year for K-12 education.
No more credit cards attached to 401(k) plans	401(k) administrators are no longer allowed to give employees access to plan loans by using credit or debit cards.	This protects retirement savings by halting the practice of making routine purchases through credit or debit cards linked to 401(k) accounts.
10-year limit on inherited IRAs	Essentially ends the "stretch IRA" for most non-spouse beneficiaries, meaning they can no longer "stretch" required minimum distributions (RMDs) over their lifetime.	Exceptions still exist for minors, disabled and chronically ill beneficiaries, and those less than 10 years younger than the deceased. This also applies to inherited Roth IRA accounts.

You need to understand the impact these new retirement rules may have on you and take steps now to adjust your retirement strategies. Consult your financial and tax professionals.

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