NEW BILL CHANGES RETIREMENT SAVINGS LANDSCAPE

The recently passed Setting Every Community Up for Retirement Enhancement bill, referred to as the SECURE Act, represents the "most significant" changes to the retirement savings landscape in more than a decade.[1]

According to the National Association of Plan Advisors, "All 29 provisions that are in the original House-passed legislation were included in this bill. The only new provision added was language providing for a remedial plan amendment period until the 2022 plan year (2024 plan year for certain governmental plans), or a later date if the Treasury Department provides one, for any plan amendment required under the SECURE Act and its accompanying regulations. The remedial plan amendment language is critical because many of the SECURE Act provisions (everything but open Multiple Employer Plans, also known as Pooled Employer Plans) become effective as of Jan. 1, 2020. The American Retirement Association strongly advocated for the inclusion of such a remedial amendment period to help plan sponsors and others comply with the new law."[1]

Here are a few of the retirement savings changes noted in the bill:[1,2,3,4]

- **Pooled Employer Plans (PEPs):** Two or more unrelated employers can pool together into commonly administered plans, creating economies of scale to help expand access and lower plan sponsors' and plan participants' costs.
- **Simplifying 401(k) safe harbor rules:** Plan sponsors can select annuity providers to offer annuities within a 401(k).
- **Allowing long-term, part-time workers to participate in 401(k) plans:** Employees who have worked for an employer for at least three years and at least 500 hours a year can participate in a retirement plan.
- **Repeal the maximum age for traditional IRA contributions:** Individuals can keep contributing to IRAs after they turn age 72 to help maximize contributions.
- **Extending the current required minimum distribution requirement age:** The age has increased from 70½ to 72, which allows retirement savings more time to grow tax-deferred.

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- **Lifetime income disclosure for defined contribution (DC) plans:** DC plans are required to provide a lifetime income disclosure to participants once every 12 months to show how much income a lump-sum balance could generate.
- **Removal of "stretch" inherited IRA provisions:** Previously, beneficiaries could spread distributions over their life expectancy, which allowed for transfer of wealth to heirs. The new law requires non-spouse beneficiaries to receive distributions from the account over a 10-year period. The tax burden this will likely create may increase the need for strategic estate planning and potentially more Roth IRA conversions.
- **Small-business owner benefits:** As a small business, you will receive a tax credit for implementing automatic enrollment.
- **Small-employer plan start-up credit:** To help make establishing a retirement plan more affordable, you'll receive a tax credit. It is based on the calculation of the flat dollar amount limit on the credit to the greater of either $500 or the lesser of $250 multiplied by the number of non-highly compensated eligible plan employees or $5,000. The credit applies for up to three years.
- **Portability of lifetime income:** If a lifetime income investment is no longer authorized to be held as an investment option under the plan, the plan can make a direct transfer to another employer-sponsored retirement plan or IRA. This helps plan participants preserve their lifetime income investments.

[1] "SECURE Act Squeezes Onto the Minibus," NAPA. https://bit.ly/36PtqI5

[2] "8 Major Ways the SECURE Act Could Impact Your Retirement Plan," forbes.com. https://bit.ly/2THXW0Y

[3] "House Passes Bipartisan Retirement Bill," cnbc.com. https://cnb.cx/2W4Wn1F

[4] "The SECURE Act," House Commitee on Ways & Means." https://bit.ly/30Ltdnx