



SECURE Act FAQs

1. What is the SECURE Act?

The SECURE Act (Setting Every Community Up for Retirement Enhancement) is federal legislation that was signed into law on Dec. 20, 2019 and that went into effect on Jan 1, 2020.

The major elements of the bill that impact annuity producers include:

- a. Raising the minimum age for Required Minimum Distributions from 70½ years of age to 72 years of age
- b. Eliminating the so-called IRA “stretch” option by requiring non-spouse beneficiaries of inherited IRAs to withdraw and pay taxes on all distributions from inherited accounts within 10 years
- c. Allowing workers to contribute to traditional IRAs after turning 70½ years of age
- d. Allowing individuals to use 529 plans to repay student loans
- e. Making it easier for 401(k) administrators to offer annuities

Annuity producers will be most concerned with the new requirements surrounding required minimum distributions and the IRA “stretch” option

2. The SECURE Act and RMDs

- Before the SECURE Act legislation, individuals with tax-qualified retirement savings plans – including annuities – were required to begin taking required minimum distributions (RMDs) at age 70½.
- The SECURE Act raises the age for RMDs to 72 for individuals **born on or after July 1, 1949**.
- Individuals born before July 1, 1949 are still required to take RMDs at age 70½.

3. The SECURE Act, Inherited IRAs and the “Stretch” option

- Prior to Jan. 1, 2020, IRA holders could name anyone as a beneficiary. This provision allowed a non-spousal beneficiary to take distributions over the rest of his or her lifetime AND then pass on the remaining funds to new beneficiaries. This ability to “stretch” the funds gave this tactic the name “stretch” option.
- With the enactment of the SECURE Act, non-spousal IRA beneficiaries are required to withdraw all of the funds in the IRA and pay corresponding taxes within 10 years of the death of the IRA holder. The rule will apply to non-spousal beneficiaries who inherit an IRA after Dec. 31, 2019. There are exceptions for special situations, such as a chronic illness, a disability and minor children.
- Spouses inheriting an IRA are not held to this new requirement.