

# New Tax Law Effective 01/01/2020

Summary courtesy of NCPE Inc.

## Summary of the Secure Act - **Eight** major pieces

1. **Increase Small Employer Access to Retirement** - Would make some significant changes to a variety of retirement rules. It would expand the ability to run **multi-employer plans** and make the process easier overall. It would allow small employers to come together to set up and offer 401(k) plans with less fiduciary liability concern and less cost than exists today.
2. **Increase Annuity Options Inside Retirement Plans** - Update the safe harbor provision for plan sponsors to select **annuity providers** in order to offer in-plan annuities inside of a 401(k).
3. **Increase Required Minimum Distribution Age** - The Secure Act would delay the distribution age requirement to age 72 (now the age is 70½).
4. **Removal of Age Limitation on IRA Contributions** - After age 70½, you cannot contribute to an IRA, but you can still contribute to a Roth IRA. The Secure Act would remove the savings limitation by repealing the age limitation for traditional IRA contributions.
5. **Tax Credit for Automatic Enrollment** - A new tax credit of \$500 to help some smaller employers encourage automatic enrollment into their retirement plan. This credit could help offset some of the costs of operating a plan at the beginning.
6. **Penalty-Free Distributions for Birth of Child or Adoption** - A new exemption from the 10 percent penalty tax for early withdrawals from retirement accounts. The Secure Act would allow an aggregate amount of \$5,000 to be distributed from a retirement plan without the **10 percent penalty** in the event of a qualified birth or adoption.
7. **Lifetime Income Disclosure for Defined Contribution Plans** - The bill would require that defined contribution plans deliver a lifetime income disclosure to participants at least once every 12 months.
8. **Removal of “Stretch” Inherited IRA Provisions** - The Secure Act would make significant changes to inherited retirement plans like 401(k)s, traditional IRAs, and Roth IRAs.

The new bill would include what is viewed as a tax-generating provision that would require most beneficiaries to distribute the **account over a 10-year period**.