TANDEM WEALTH MANAGEMENT
MOVING FORWARD TOGETHER

January 2020

The SECURE Act - Highlights and Opportunities

The Setting Every Community Up for Retirement Enhancement (SECURE) Act took effect on January 1, 2020. The SECURE Act is the most significant change to retirement since the Pension Protection Act of 2006. The goal of the act is to improve retirement security for Americans. Below are some of the highlights of the law and possible opportunities:

Required Minimum Distribution (RMD): Retirees can now hold off on taking a mandatory withdrawal from their Pre-tax Retirement Accounts until the year they turn 72. The previous RMD began in the year in which you turned 70 ½. Many retirees welcome this change, which provides choices of when and where to take withdrawals to supplement income or to postpone distributions if the money is not needed. This change allows for a delay of taxable income and more time for financial planning during the extra year and a half. It provides the opportunity to consider Roth Conversions to convert pre-tax money in a low tax rate environment for your use in retirement and to pass on tax-free inheritance to your heirs. The RMD amount is calculated based on the balance in the IRA at Year-end, so the more that is converted to a Roth IRA, the lower the RMD will be. The importance of which is covered in the next bullet point.

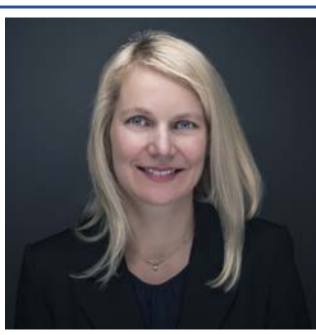
Inherited Retirement Accounts: The other substantial change is the repeal of the stretch provision for beneficiaries. Beneficiaries will need to distribute all retirement accounts, including pre-tax (Traditional, 401(k) Plans, 403(b) Plans) and after-tax (Roth IRA, Roth 401(k), Roth 403(b) Plans) over ten years. The amount of the inheritance lost to taxes may increase because the beneficiaries will likely have the increased taxable income in their highest earning years, pushing them into a higher tax bracket. The exceptions to the new rule include spouses, minors until the age of majority, disabled individual, chronically ill individual, and an heir with no more than ten years of age difference from the owner. Knowing that future generations can no longer stretch the retirement accounts over their lifetimes provides another incentive to convert pre-tax accounts to Roth IRAs as a hedge against taxes for future generations. Even though Roth IRAs will no longer have the ability to be stretched, the impact is less since the distribution will be tax-free.

Traditional IRA Contributions: The age restriction of 70 ½ for making contributions has been removed, so anyone still working can make Traditional IRA Contributions. In most circumstances, I would recommend contributing to a Roth IRA instead.

Qualified Charitable Distributions (QCD): The opportunity to have a donation sent directly from your IRA to a charity at age 70 ½ continues. The QCD is not treated as taxable income. Since many taxpayers no longer itemize, this provides an avenue for tax-free giving.

The above is an overview; the full impact of the SECURE act will be considered as we continually update the Financial Plan we have created together.

Kind regards,
Meghan



Meghan Phillips Dykstra CFP®
Investment Advisor Representative
900 East Front Street, Suite 200
Traverse City, MI 49686
phone: 231-486-6188
fax: 231-486-6191
Meghan.dykstra@TandemWealthTC.com
TandemWealthTC.com