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Major Changes to Retirement Plans Affect Estate Planning

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On December 20, 2019 the **SECURE Act** was signed into law, making major changes to retirement planning for persons who die after December 31, 2019. The SECURE Act will impact estate planning with retirement accounts in a number of ways.

First, the age at which participants must begin taking retirement assets has been increased from **age 70 ½ to age 72.**

The biggest change is the "ten year rule." For most beneficiaries (other than spouses and a few other exceptions) the totality of the retirement assets must be taken **within 10 years** of the date of death of the owner of the retirement account. That means, whether the account is payable to a trust or to a specific beneficiary, the total account must be distributed no later than December 31 of the year that contains the tenth anniversary of the owner's death.

Exceptions to the 10-year rule:

1. **A surviving spouse may still roll over inherited assets into the spouse's own IRA.** A conduit trust for the surviving spouse will still preserve life expectancy payouts for the surviving spouse. The remaining assets in the IRA or retirement account must be distributed within 10 years after the death of the surviving spouse.

2. **A minor child as beneficiary** – the assets can be distributed on a slower schedule until the minor reaches majority, and then the 10-year rule applies, which requires the remaining assets be distributed within 10 years.

3. **A disabled person as beneficiary** – while the disability exists, the 10-year requirement is suspended and the old rules apply; once the disability ceases or the disabled person dies, the remaining assets must be distributed within 10 years.

4. **A chronically ill individual as beneficiary** – who has provided the applicable certification that the illness is indefinite and reasonably expected to be lengthy in nature – the 10 year rule is suspended until the death of the individual.

5. **A person who is not more than 10 years younger than the owner of the assets** – the 10

year rule is suspended until the death of that beneficiary.

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