"**6th Edition of J.K. Lasser's New Rules for Estate, Retirement and Tax Planning** is available in bookstores now and includes the Tax Cuts and Jobs Act of 2017 (Trump Tax Plan)…with updated strategies and information." Purchase it on Amazon or from your favorite book retailer.

5/8/2020 COVID-19 Creates New Financial Options

Mostly COVID-19 has wreaked havoc on all of us but if you are the type of person always looking for the silver lining, here are three new financial options available to you:

Required Minimum Distributions (RMDs)

In response to COVID-19, congress passed a provision under the CARES Act that suspends the requirement that people age 72 or older must take a taxable distribution from their IRA. This will allow you to both avoid the income taxes associates with the distribution and allow your money to continue growing tax-deferred.

401(k) Loans

In the past, if you wanted to borrow from your 401(k), you were limited to a maximum loan of $50,000 or 50% of your vested balance, whichever was less. Under the CARES Act, the loan amount is increased to $100,000 or 100% of your vested balance, whichever is less.

401(k) Withdrawals

If instead of a loan from your 401(k), you choose to make a hardship distribution and you are under the age of 59½, you can do so without the imposition of the 10% federal early withdrawal penalty. You will still owe income tax on the withdrawal. This is also a provision under the CARES Act for 2020.

5/16/2020 COVID Induced Strategy: Low interest loans to family members

A byproduct of the COVID economic crash is extremely low interest rates…orchestrated by the Federal Reserve. One long-standing family wealth transfer strategy is making low interest loans to family members. For loans between family members you are required by law to charge a minimum interest rates based on the monthly published Applicable Federal Rates (AFR). These rates change monthly and are currently at very low levels. For May 2020:

AFR short-term rate: 0.25% (loans under 3 years)
AFR mid-term rate: 0.58% (loans 3-9 years)
AFR long-term rate: 1.15% (loans longer than 9 years)

Here is how the strategy might work:

Example #1: A parent wishes to make a $100,000 low interest loan to a child for the purpose of starting a business and they expect to be repaid within nine years. They create a note using the AFR mid-term rate of 0.58%. The annual interest payable from the child to the parent would be $580. If desired, the parent could use their annual gift exclusion to forgive the interest. They could also forgive a portion of the principal annually (up to $15,000 per year, per parent), if desired…and avoid using any of their lifetime annual exclusion amount ($11.58 million for 2020).

Example #2: If the parent wanted to help a child buy a home and use a long-term loan, of say 30 years, using the AFR long-term rate, the annual interest would only be $1,150.

6/5/2020 COVID Affects RMDs for 2020

COVID has affected many areas of our lives including our finances. In normal times, if you are age 72 or older, you'd be required to take a Required Minimum Distribution (RMD) from your IRA or other retirement account. Because of COVID, under the CARES Act, that requirement is waived for 2020.

What this means for you:

- If you don't need the money for lifestyle, you can skip this year and allow the money to continue to grow tax-deferred for another year. If you need some, but not all, you can take what you need (and pay ordinary income tax on that portion).
- Do some tax planning. Consider your likely marginal income tax bracket this year versus 2021. Even if you don't need the money, it might make sense to go ahead and take the distribution if you're in a particularly low tax bracket this year.
- If you've already taken your RMD for 2020 but wish you hadn't, you may still be able to reverse the transaction using the 60-day rule or by appealing to the IRS.

Details surrounding RMDs are complex. Contact your tax or financial advisor before you take action.

11/02/2020 SECURE Act Summary

The **SECURE Act** devastated one of the family wealth strategies that had been used for decades…the STRETCH IRA. Because this was a strategy often used by the wealthy, it flew under the radar and was passed in a bi-partisan fashion. The **SECURE Act** did provide a small number of beneficial changes. The below article from Ephie Coumanakos provides a good summary.

SECURE Act Basics: What Everyone Should Know

The rules on retirement have recently been rewritten. Here are the biggest changes and how they could affect you.

by: **Ephie Coumanakos**
March 24, 2020

The SECURE Act, which was officially enacted on Jan. 1, 2020, is now the largest retirement reform to impact the economy since the **Pension Protection Act of 2006**.

- ## Watch Out for a New Tax Bomb, Courtesy of the SECURE Act

The official title of the bill is "Setting Every Community Up for Retirement Enhancement," which deemed the moniker SECURE. The bill itself is the product of a bipartisan effort to make retirement savings more accessible for less-advantaged people.

Only three of the 420 votes cast opposed the act, which further highlights the concerning state of retirement savings in the U.S. This bill was passed at an interesting time, considering the current retirement situation, in which pension systems are collapsing and Social Security is bordering on insolvency.

There are 29 new provisions in total, each important in its own right. However, there are some aspects of the new law that prove more notable than others. Here are the most significant provisions majorly affecting many Americans' retirement plans.

What About Required Minimum Distributions (RMDs)?

Prior to the SECURE ACT, the government required individuals with either a defined contribution or defined benefit plan to begin taking distributions no later than April 1 of the year after they turn 70½. The SECURE Act raises that age to 72. The new age limit does not apply to individuals who turned 70½ prior to the end of 2019. (For more specifics, see **RMDs: When Do I Have to Take One?**)

Changes in IRA Contributions

Beginning in 2020, individuals are now allowed to continue making contributions to their IRAs with no matter what their age, as long as they have earned income. Previously contributions were barred after the age of 70½.

Qualified Charitable Contributions

The SECURE Act still allows individuals to make a $100,000 annual qualified charitable distribution from an IRA account at age 70½. However, because individuals are still allowed to contribute to IRAs after age 70½, the annual qualified distribution is reduced by the aggregate amount equal to contributions made to an IRA after age 70½.

The 10-Year Distribution Rule

A major change that will come as a result of the SECURE Act is the 10-year distribution rule. This new rule requires most non-spousal beneficiaries of retirement plans after Jan. 1, 2020, to distribute the entire inherited account within 10 years of the account owner's passing. This 10-year rule applies both to traditional IRAs and to Roth IRAs as well.
Exceptions to the 10-year distribution rule:

- Surviving spouse
- A minor child (10-year rule applies once the minor reaches the age of majority)
- A disabled individual
- A chronically ill individual
- An individual who is not more than 10 years younger than the deceased participant or IRA owner

Prior to this law, beneficiaries could take minimum distributions based on their own life expectancy. For many, this was a tax advantage. With an individual retirement account (IRA), this was commonly referred to as a "stretch IRA" strategy, and the beneficiaries could stretch the amount of time these accounts stayed open, simultaneously reaping the tax benefits in the process.
The new rule could potentially push beneficiaries into a higher tax bracket and will call for both account holders and beneficiaries to reconsider their current estate plans.

- **5 Ways the SECURE Act Could Harm Retirees**

Additional Changes to Defined Contribution Plans

IRAs are one of the most common examples of defined contribution plans. As with 401(k)s, **these plans will experience significant changes** under the new law.

The SECURE Act mandates that investment providers issue estimates of potential monthly earnings a retiree could receive if either a joint, survivor or single-life annuity were purchased.
Congress has placed the burden of labor for these estimates solely on the shoulders of the plan provider, who must make them available at least every 12 months, regardless of whether the plan provides any such annuity options.

Fortunately for plan providers, Congress has ordered the Department of Labor (DOL) to produce a "safe harbor" model to ensure ease of compliance with the new law. Moreover, these requirements are not fully codified by law until one year after the DOL has published each of the interim final rules, model disclosures and specified assumptions.

What About My 401(k)?

As the gig economy continues to grow and outsourced work becomes the new norm, Congress has been clamoring for an approach to enable employer-sponsored savings plans for non-employee contractors. The SECURE Act **makes it possible to do just that**.

The act requires that all part-time employees who have worked at least 500 hours for the past three year-to-date periods of their employment be eligible to enroll in 401(k) plans in workplaces that offer them. In order to prevent this new regulation from causing employers to avoid hiring part-time employees, the law includes no requirement for employer matches or other employer contributions to the plan. The law also includes special guidelines for top-heavy testing to avoid any issues with HR's **nondiscrimination testing**.

Stay Secure with the SECURE Changes

These alterations to existing law are only a handful of the 29 new provisions of the SECURE Act. With so many changes coming to your retirement planning, it can be difficult to know which way is up. However, keeping yourself educated, being proactive and understanding the aspects of the new SECURE law that will most impact you and your family can help keep your retirement plans safe.

- **SECURE Act: What to Do Now to Help Limit Heirs' Taxes Later**

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