

# Important IRA updates

## On December 20, 2019, Congress passed **The Secure Act** which has resulted in the following changes to Individual Retirement Accounts:

- The age when required minimum distributions (RMDs) from Traditional IRAs, qualified plans, 403(b) plans and governmental 457(b) plans must generally begin has increased from **age 70½ to age 72**. This is effective for distributions that would have been required for those turning 70½ in 2020 and later years.
- Birth/adoption excise tax exception allows for a new exception to the 10% Penalty for early withdrawals, limited to distributions of up to \$5000.00 in the aggregate (lifetime cap) from an IRA, defined contribution qualified plan, 403(b) plans and government 457(b) plans for the birth of a child or adoption of a child (or individual who is incapable of self-support). These amounts may be re-contributed and this exception is effective for distributions in 2020 and later years.
- More rapid payouts to non-spouse (and other) beneficiaries. Most non-spouse beneficiaries of IRAs will be required to distribute inherited amounts within 10 years. This is effective for plan participant/IRA owner deaths in 2020 and later years. Some exceptions do apply.
- Difficulty of care payments will be treated as eligible compensation for retirement plan contributions for those home healthcare workers receiving payment that is not taxable income. These payments will qualify as eligible compensation for IRA and other plan contributions for tax year 2020 and later years.
- Traditional IRA contributions for taxpayers with earned income can make a contribution at any age effective for tax year 2020 and later years.
- Certain stipend, fellowship and similar payments to graduate and postdoctoral students will be treated as earned income for IRA contribution purposes effective for 2020 contributions and later years.

If you have any questions, or need additional information, please contact our Retirement Plans Manager, Louise Carvalho, at 978-323-4922 or [Louise.Carvalho@jdcu.com](mailto:Louise.Carvalho@jdcu.com).

