

Big Changes Coming to Retirement Plans on January 1

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The U.S. Senate has proposed recent legislation that contains dramatic changes to the way that distributions must be made from retirement plans.

President Trump is expected to sign a new spending bill very soon that will alter current planning for retirement plans in many ways. One of the largest changes in the new law, known as the [Secure Act](#), is a major change in the required minimum distributions rules for designated beneficiaries. Under current law, people who inherit retirement accounts are able to stretch the required minimum distributions over their life expectancy, commonly known as a "stretch IRAs." The new rules now require, with limited exceptions (including distributions to a surviving spouse), that inherited retirement plans be paid out over a period no longer than 10 years.

Many of our clients have done extensive planning with retirement plans and trusts to take advantage of the current ability to achieve significant income tax deferrals. The new 10-year rule requires clients to rethink their beneficiary designations and their estate planning to account for these significant changes.

The change would affect only those accounts that have not already used the stretch IRA method. Those currently using stretch IRAs or eligible to use one in the event of a death on or before Dec. 31 will be grandfathered and not affected.

Another significant change in the law is the date which required distributions must start from retirement plans. Under current law, required distributions need to start six months after a plan participant's 70th birthday. The mandatory distribution is proposed to increase 18 months to age 72, a reflection of longer lifespans and people staying in the workforce longer before retirement.

The new rules are a major shift in the way that distributions from retirement plans are made, and will require new strategies. We suggest that you consult with your financial advisor and the attorneys in the Trust and Estates Group at Barley Snyder to review your existing estate plans and beneficiary designations to comply with this new law. If you have any questions about these changes, please reach out to any member of the [Barley Snyder Trusts & Estates Practice Group](#). We will be providing more detail on these changes in 2020.

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