MIDLAND NATIONAL® Life Insurance Company

SECURE Act **FAQs**

Overview

The Setting Every Community Up for Retirement Enhancement (SECURE) Act has been signed into law as of late December 2019. The policy changes and new requirements within the SECURE Act are wide ranging and will likely impact all American retirement savers in some way. Many of the impacts of the SECURE Act are still being reviewed and may also be subject to interpretations by the Internal Revenue Service or other government authorities as they are fully implemented.

The frequently asked questions (FAQs) below provide a broad overview of some of the key provisions within the SECURE Act. As mentioned, the SECURE Act is new and we anticipate that subsequent interpretive guidance may alter or adjust the manner in which the specific provisions of the SECURE Act are applied. As always, it is important that you talk with your financial professional, tax advisor, or other retirement/estate planning professional to determine the impact the SECURE Act may have on you and any circumstances specific to you.

What is the SECURE Act?

The Setting Every Community Up for Retirement Enhancement (SECURE) Act was passed by Congress and signed into law by President Trump in late December 2019. It is a bipartisan package of laws designed to enhance access to and grow retirement savings options for American savers, including more access to workplace savings plans. Certain SECURE Act provisions were also advanced in reaction to Americans living longer and working longer, including changes to Required Minimum Distribution (RMD) laws and broader access to lifetime income and annuity options. The SECURE Act impacts many retirement plans in place today, such as individual retirement accounts (IRAs) and 401(k)s. Most of the provisions in the SECURE Act take effect January 1, 2020.

What are some of the key provisions to the SECURE Act?

The SECURE Act makes a number of new policy changes impacting everything from small business access to retirement plans to RMD rules for individuals to modifications of beneficiary distribution options, such as "Stretch IRAs." Some of these provisions are outlined here:

- **Enhanced access to workplace retirement plans.** Provisions in the SECURE Act remove existing barriers to allow small employers to band together to create pooled employer plans or "multiple employer plans." This may allow for more savings options for employees of small employers, providing cost sharing options and other small business incentives to offer retirement plans. In addition, the SECURE Act provides a startup credit for small businesses to offer new retirement plans, including a tax credit of up to $5,000 to help cover costs.

- **Broadened access to annuities and lifetime income information.** The SECURE Act includes new provisions that modify and in some cases streamline compliance requirements for offering an annuity option within an employer-sponsored retirement plan. This means that in addition to the options commonly available in employer plans today, new annuity options may also begin to be offered, enhancing access to lifetime income for retirement savers. In addition, new rules allow for a rollover of a workplace annuity option to an IRA or other retirement plan if the lifetime income option is no longer offered by the plan for whatever reason. Last, plan sponsors will soon be required to include at least annually a new lifetime income disclosure that will illustrate the amount of monthly payments a plan participant would receive if the participant's total benefits under the plan were converted to a stream of lifetime income.

- **Ability to withdraw from a plan or IRA for birth or adoption of a child.** Under the SECURE Act, upon the birth or adoption of a child, a plan participant or IRA Owner may take a "qualified birth or adoption distribution" of up to $5,000 from their retirement plan or IRA. This withdrawal would be exempt from the 10% early distribution tax penalty for individuals under age 59 ½, and can be repaid to the plan or IRA without regard to the usual 60-day time limit for rollovers.

- **Repeal of maximum age to contribute to a traditional IRA.** In recognition that American savers are living and working longer, the SECURE Act repeals the maximum age at which an individual can make contributions to a traditional IRA. Prior to the SECURE Act, individuals were prohibited to contribute to a traditional IRA beyond age 70 ½. Now, so long as the individual is earning compensation, non-rollover contributions may be made beyond age 70 ½.

- **New triggering date for required minimum distributions (RMDs).** Prior to the SECURE Act, IRA owners and plan participants were required to take RMDs from their retirement accounts beginning at age 70 ½. Under the new provisions of the SECURE Act, the triggering age upon which an individual must take RMDs from a plan or IRA increases from age 70 ½ to age 72. This provision allows for more flexibility for retirement savers who may not want to take early distributions from their retirement savings, either because they are still working or simply because they want their savings to continue to grow. *(Note: because this rule goes into effect on January 1, 2020, if an individual reached age 70 ½ prior to that date, the previous rules apply and RMDs must be taken by April 1, 2020. However, if an individual turns age 70 ½ after January 1, 2020, the new RMD triggering date is age 72.)*

- **Elimination of "Stretch" IRAs.** Prior to the SECURE Act, post-death RMD rules permitted a designated beneficiary to draw down remaining inherited benefits of an IRA over the beneficiary's life expectancy, thereby potentially reducing the tax consequences to the beneficiary. Beginning January 1, 2020, however, the SECURE Act provides that a non-spouse beneficiary must draw down his or her entire inherited interest within 10 years. Exceptions to the 10-year draw down rule include IRAs left to (1) the IRA Owner's surviving spouse, (2) the IRA Owner's minor child (though upon reaching the age of majority, the 10-year draw down rule will apply), (3) a disabled or chronically ill individual, or (4) any beneficiary who is less than 10 years younger than the IRA Owner. Those four "eligible designated beneficiaries" may elect to stretch RMD requirements over their life expectancies, though upon their death, the 10-year draw down rule would apply to any subsequent beneficiary. *(Note: any beneficiary who has inherited an IRA from an IRA owner who passed away prior to January 1, 2020 will not be impacted by the above rules.)*

What can I do to better understand how the SECURE Act will impact me?

Because the SECURE Act will likely impact retirement savers in different ways depending on the retirement plans in which they may participate, their age and financial situation, and whether they are or plan to utilize "Stretch" IRA provisions, it is important to talk to a financial professional, tax advisor, or other retirement/estate planning professional to determine the impact the SECURE Act may have.

Neither the company, nor any financial professionals acting on its behalf, should be viewed as providing legal, tax or investment advice. This information is educational in nature and should not be construed as legal or tax advice. Tax rules are subject to change and may be revised at any time. Therefore the company cannot guarantee the information provided is accurate or timely. Please consult your tax or legal professional regarding your specific situation.

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