



ELDER LAW AND ESTATE PLANNING

Joseph Karp
Jonathan Karp



SECURE Act makes big changes to retirement savings, estate planning options

This column and next week's put readers' questions temporarily on hold in order to bring you information about an important new federal law. The SECURE Act (Setting Every Community Up For Retirement Enhancement), effective Jan. 1, 2020, will reshape many people's retirement savings and estate planning options. This column focuses on the provisions of the law that are most relevant to our clients and readers.

The SECURE Act reflects the fact that people are living and working longer. It raises to 72 (was 70½) the age at which you must begin taking required minimum distributions from your IRA, 401K, 403B and other qualified funds. (One exception: If you turned 70 ½ prior to Dec. 31, 2019, the new rules do not apply, and you must begin taking distributions by April 2020 or face penalties.) The law also eliminates the 70½ age cap on contributing to your IRA. If you are earning income, you can contribute no matter your age.

The most significant impact on estate planning involves the IRA Stretchout. Previously, people who did not need their IRA money could pass the IRA to non-spouse beneficiaries, who could then "stretch out" withdrawals based on their own life expectancies. In this way clients could create a lifetime income stream

The Karp Law Firm, P.A.

Location, phone number:

■ Palm Beach Gardens, 561-625-1100

■ Boynton Beach, 561-752-4550

■ Port St. Lucie, 772-343-8411

Website: KarpLaw.com

Email: ask@karpplaw.com

for their children. This strategy is no longer possible under the new law: **Now, non-spouse beneficiaries must withdraw all funds from an inherited qualified plan within 10 years of the original owner's death.** (There are a few exceptions to this new rule – for example, if the non-spouse beneficiary is disabled.) No specific withdrawal schedule is necessary, but the account must be depleted within 10 years. Obviously, non-spouse beneficiaries who are in their peak earning years will be most impacted by the income tax consequences.

Next week we'll talk about possible estate planning techniques that address these new legal realities.

Joseph Karp and Jonathan Karp are Florida Elder Law and Estate Planning Attorneys. The Karp Law Firm is located in Palm Beach and St. Lucie counties. It assists clients with wills, trusts, Medicaid and VA benefits planning, special needs planning, asset preservation, probate/trust administration, estate litigation, and probate and elder law mediation.