

# GIVE TODAY FROM YOUR IRA: WHAT THE SECURE ACT MEANS FOR YOU, YOUR LOVED ONES AND YOUR CHARITABLE GIVING

Perhaps you've heard about the Setting Every Community Up For Retirement (SECURE) Act (effective January 1, 2020), which is intended to help people save more for retirement. The SECURE Act may affect both your current retirement planning and your plans to leave retirement assets to your loved ones when you are gone.

## **How will the SECURE Act help you save for retirement?**

The longer you contribute to your IRA and allow your IRA investments to grow, tax-deferred, the more you should have for retirement. Now, people over age 70½ who have earned income may continue contributing to IRAs. Moreover, the SECURE Act raises the age for Required Minimum Distributions (RMDs) from 70½ to 72. (This change applies to owners of traditional IRAs who reach age 70½ after 2019. If you were age 70½ by the end of 2019 (*i.e.*, born before July 1, 1949), you must begin taking—or continue taking — RMDs).

## **How will the SECURE Act affect your IRA beneficiaries when you pass away?**

**when you pass away?** Generally speaking, non-spouse beneficiaries of your traditional IRA won't be able to "stretch out" taxable distributions over their life expectancies. Before the SECURE Act, an individual IRA beneficiary such as your spouse, child or grandchild could "stretch" out IRA distributions — thereby deferring income taxes and allowing inherited IRA assets to remain invested and grow— over his or her life expectancy. Now, most individual IRA beneficiaries other than your surviving spouse (with a few exceptions) generally must withdraw the entire balance of the inherited IRA within 10 years of your death.

Fortunately, your spouse can "stretch out" distributions over his or her lifetime if he or she inherits your IRA (no change to existing law). In addition, naming a qualified charity such as Catholic

Charities as your IRA beneficiary is still a great choice, because charities do not pay taxes on IRA distributions (again, no change to existing law).

## **What steps should you take in light of the SECURE Act?**

Discuss the following with your professional advisors (legal, tax and financial):

- **Review your IRA beneficiary designations.** How will your named IRA beneficiaries be affected by the elimination of the IRA stretch provision for most non-spouse beneficiaries? If you have designated a trust as the beneficiary of your IRA, will the trust still accomplish your goals?
- **Consider making charitable gifts using IRA assets during lifetime (QCDs) and/or upon death (IRA beneficiary designations).** Qualified charities pay no income taxes on IRA distributions, but IRAs are highly taxed when passing to individual beneficiaries. Consider leaving non-retirement assets to your loved ones and retirement assets to charity when possible.
- **Learn about other charitable giving strategies that may also benefit your family.** Sophisticated strategies may include creating a testamentary charitable remainder trust to receive your IRA assets upon your death, to benefit both your loved ones and charity in a tax-advantaged way.

*This article is not an exhaustive summary of the SECURE Act, nor is it intended to provide legal or tax advice. You should consult your legal and tax advisors to determine if and how the SECURE Act will affect your estate and tax planning and charitable giving strategies for 2020 and beyond.*

**An Important Note About QCDs:** Any IRA owner who is age 70½ or older may make an IRA Charitable Rollover transfer (also called a Qualified Charitable Distribution, or QCD) from his or her traditional IRA directly to a qualified charity, such as Catholic Charities. This is true even if you don't have to take RMDs until age 72 under the SECURE Act. A QCD, which passes directly to charity, is not included in your taxable income, a tax benefit to you even if you do not itemize deductions. If you are taking RMDs, the QCD will also count toward your RMD for the year, up to \$100,000 (but reduced by cumulative IRA contributions you make after 70½).

## **Want to make a QCD/IRA Charitable Rollover or IRA Beneficiary Designation for Catholic Charities, Priestly Formation, Catholic Education and/or your Parish?**

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