Sponsored: The SECURE Act – The Gift That Keeps on Giving

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By Kelli Click, president of STRATA Trust Company

The end of last year brought a considerable gift for retirement savers, financial advisors and other professionals involved with the retirement savings industry. On December 20, 2019, the Setting Every Community Up for Retirement Enhancement Act of 2019 (the SECURE Act) was signed into law.

The SECURE Act changes many of the tax rules to expand retirement savings opportunities. These changes affect workers, retirees, beneficiaries, IRA owners, business owners, and retirement plan sponsors. With many details still being finalized by the IRS and Department of Labor (DOL), service providers will be working throughout 2020 to incorporate the rule changes into their operating systems, account owner communications, and reporting procedures.

These changes will provide financial advisors multiple opportunities throughout the coming year and beyond to engage in meaningful interactions with their clients and industry contacts regarding the impact of the new rules, and potentially create new relationships with prospects. Your account owner and business owner clients will need to be educated about the new savings enhancements.

As service providers sort through the changes in operational requirements and deadlines, you have an opportunity to serve as a conduit to help your clients understand the impact of these new requirements. To take advantage of the gift that will keep on giving for years to come, financial advisors must first be certain they have a firm grasp of the rule changes and the impact the SECURE Act could have on their clients, prospects, and service providers.

The Purpose

The changes made by the SECURE Act to encourage saving for retirement have had strong support in Congress over the years. According to the U.S. Bureau of Labor Statistics, only 51% of private industry workers participate in a workplace retirement plan. That percentage shrinks for those who work for small business employers; only 28% of businesses with fewer than 10 employees offer a retirement plan. It has long been a policy initiative on both sides of the aisle to ease the burden and expense of sponsoring a retirement plan so more employers can offer retirement savings opportunities to their workers.

The SECURE Act Changes for Retirement Plans

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The list below summarizes the changes included in the SECURE Act, focusing on the provisions that impact IRAs and IRA-based employer plans.

Extends required minimum distribution (RMD) starting age to 72 for individuals who did not reach age 70½ in 2019 or earlier
Requires non-spouse beneficiaries to deplete accounts within 10 years for account owner deaths occurring after 2019, with exceptions for spouses, disabled or chronically individuals, children until the age of majority, and beneficiaries less than 10 years younger than the account owner
Increases small plan start-up tax credit and creates a new tax credit for small plans using automatic enrollment
Creates new distribution-triggering event and exception to the 10% early distribution tax for distributions of up to $5,000 taken to pay for childbirth and adoption expenses
Extends deadline for an employer to establish a qualified retirement plan until the business's tax-filing deadline, plus extensions (for employer contributions only)
Increases automatic escalation deferral cap for Qualified Automatic Contribution Arrangements (QACAs) from 10% to 15% after first year of participation
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Requires plans to allow "long-time, part-time" employees into the plan if they work at least 500 hours in 3 consecutive years – plans are to start counting hours as of January 1, 2021, so the first year these participants will enter the plan under this provision will be 2024
Creates new type of Multiple Employer Plan (MEP), called a Pooled Employer Plan (PEP), to allow unrelated employers to join a single plan administered by a Pooled Plan Provider (PPP) – effective January 1, 2021

Allows participants to roll over a lifetime income product to another plan or IRA if product is no longer available in the plan
Expands the fiduciary safe harbor for plan sponsors selecting lifetime income product providers for the plan
Requires plan sponsors to provide a lifetime income disclosure each year to show participants how much their account balance would generate in monthly payments in retirement – effective 12 months after Department of Labor issues guidance or model notice and assumptions
Increases IRS penalties for late filing of Form 5500 and 8955-SSA and failing to provide a withholding notice/election

The Opportunities for Financial Advisors

The SECURE Act brings massive – and in some cases long-awaited – changes to IRAs and employer-sponsored retirement plans in an effort to encourage employers to sponsor retirement plans for their employees and to encourage individuals to save more for retirement. Almost all your retirement savings clients and the service providers you work with will be affected by these changes.

You have multiple opportunities to create touchpoints with clients and prospects to educate them about how these law changes will affect their retirement savings efforts and showcase your services. For example, advisors can take this opportunity to consult with clients on how the elimination of the stretch IRA strategy might affect their estate plans or future inheritances could turn into much more than a single educational session.

Your IRA clients will need guidance and assistance in reviewing their beneficiary designations and evaluating the overall impact these rules will have on their estate plans. They may need to explore other options to achieve their goals for passing their savings on to their heirs.

This is just one example of how to connect with your clients. We list more suggestions, as well as going into a deeper dive on how the SECURE Act affects workers, retirees, beneficiaries, IRA owners, business owners, and retirement plan sponsors in our full white paper, "The SECURE Act: The Gift that Keeps on Giving" that you can download for free on our website.

About Kelli Click, president of STRATA Trust Company

With over 30 years' experience in the self-directed IRA and alternative investment space, Kelli Click is passionate about educating investors on the many options for diversifying their retirement portfolio with alternative assets like real estate, private equity and more. Click is the President of STRATA Trust Company, and a board member of Retirement Industry Trust Association (RITA). Her articles on self-directed retirement investing have also appeared in Forbes® REALTOR®, Texas REALTOR® and INVEST magazines.

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