Recent Law Changes Affecting Traditional and Roth IRAs.

On December 20, 2019, the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 became law. The SECURE Act makes significant changes to the rules governing Traditional IRAs and Roth IRAs. Starting in 2020, the following changes have been made:

- The age 70½ maximum age restriction for Traditional IRA contributions has been re-pealed.
- The definition of "taxable compensation" has been expanded to include income paid to aid an individual in the pursuit of graduate or postdoctoral study.
- The IRS 10% early distribution penalty will not apply to a qualified birth or adoption distribution ($5,000 limit).
- Required minimum distributions (RMDs) from Traditional IRAs must start at age 72 (instead of age 70½).
- The options available to the beneficiary of a deceased IRA owner have been dramatical-ly changed.

IMPORTANT! Tax rules can be complicated. This brochure is intended to serve as a general overview. Before making any decisions, you should speak with a qualified tax advisor.

Mapping Out Your Course

TRADITIONAL & ROTH

IRA

The SECURE Act of 2019

Changes to the Traditional and Roth IRA Rules

Exploring the Opportunities of the 2020 Law Changes

Although change can be a scary thing, understanding the changes often eliminates that fear. And sometimes, the changes are positive changes that can improve our lives. There have been major changes to the Traditional and Roth IRA rules starting in 2020.

Contributing to an IRA

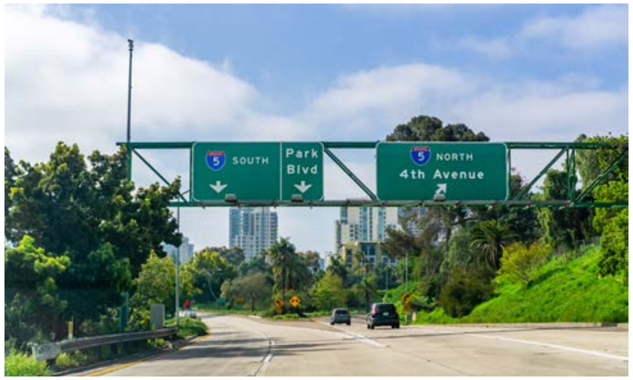
Prior to 2020, to contribute to a Traditional IRA you must have been under age 70½ for the entire year. However, starting with 2020, that rule has been repealed. Therefore, you may continue to contribute to a Traditional IRA after age 70½, if you otherwise qualify.

In addition, the definition of "taxable compensation" has been expanded to include an amount that is included in income, which is paid to aid an individual in the pursuit of graduate or postdoctoral study (i.e., certain non-tuition fellowship or stipend payments), starting with 2020.

Qualified Birth or Adoption Distributions

Starting in 2020, the IRS 10% early distribution penalty will not apply to a qualified birth or adoption distribution ($5,000 limit). The distribution may be taken during the one-year period beginning on the date the child is born or the adoption is finalized. In addition, the distribution may be repaid to an IRA, at any time, as a tax-free rollover.

> *Change is inevitable. Change is constant.*
>
> ***Benjamin Disraeli***



Traditional IRA Required Minimum Distributions

Starting with 2020, required minimum distributions (RMDs) must begin by April 1 of the year following the year the IRA owner reaches age 72. Prior to 2020, RMDs were required to begin by April 1 of the year following the year the IRA owner reached age 70½. This will allow IRA owners to accumulate tax-deferred funds up to two years longer.

Beneficiary's Withdrawal Options

After the IRA owner dies, the beneficiary of the IRA funds may generally withdraw the funds immediately. However, distributions from a Traditional IRA are generally taxable. And although distributions from a Roth IRA are usually tax-free, the beneficiary will lose the benefit of future tax-free accumulations of earnings. To avoid immediate taxation on an inherited Traditional IRA and to avoid the loss of future tax-free earnings on an inherited Roth IRA, the beneficiary may be permitted to stretch the death distributions over a number of years.

Starting with deaths after 2019, the options available to a beneficiary vary depending on whether the beneficiary is an individual who is an "eligible designated beneficiary," an individual who is not an "eligible designated beneficiary," or a non-individual.

A beneficiary who is an "eligible designated beneficiary," is your surviving spouse, your child who is a minor, a disabled individual, a chronically ill individual, or an individual who is not more than ten years younger than you. As an eligible designated beneficiary, your beneficiary may also choose to close the Traditional or Roth IRA by the end of the tenth year after the year of your death or the eligible designated beneficiary may choose to withdraw the funds over the course of their own life expectancy starting no later than the end of the year following the year you die.

If your spouse is your beneficiary, he or she may delay starting the life expectancy distributions until the later of the end of 1) the year following the year you die, or 2) the year you would have been age 72.

In addition, your spouse has the added option of rolling over or transferring your Traditional or Roth IRA to their own Traditional or Roth IRA, or electing to treat your Traditional or Roth IRA as their own Traditional or Roth IRA. Your spouse also has the option to convert your Traditional IRA to a Roth IRA.

If your beneficiary is an individual who is not an "eligible designated beneficiary," the Traditional or Roth IRA must be closed by the end of the tenth year after the year you die.

If your beneficiary is not an individual, the Traditional or Roth IRA, generally, must be closed by the end of the fifth year after the year you die. If you are a Traditional IRA owner who dies after your required beginning date, a non-person beneficiary must withdraw the funds over a period no longer than your remaining single life expectancy.