

All in the Planning

Winter 2020

Quarterly
newsletter
prepared and

Jarrett &
Luitjens
ESTATE & ELDER LAW

The SECURE Act: Glass Half Full?

There is no doubt that the SECURE Act of 2019, signed into law on December 20, 2019, as part of the spending package, revolutionizes the treatment of many retirement benefits, particularly in the area of required withdrawals for the plan-owner's beneficiary. But, should you panic? Well, that may depend upon whether you are a glass-half full or glass half-empty personality type.

Here's what you need to know in *basic* terms:

- ⇒ **No** changes to required minimum distributions (RMDs) for plan participant/IRA owner if you were over age 70 1/2 on 12/31/19
- ⇒ Those younger than 70 1/2 can now wait until age 72 to begin RMDs
- ⇒ **No** changes to retirement accounts naming charities as beneficiaries

⇒ **No** changes for RMDs for a beneficiary if they qualify for "eligible designated beneficiary" status, which may include: surviving spouse, minor child (until age of majority), disabled individual, and individual not more than 10 years younger than plan participant

⇒ **Major** changes for all other "designated beneficiaries" —full withdrawal of all retirement funds by 10th anniversary of plan owner's death, but no RMDs for years 1-9

Confused? Bottom line is that Congress has removed the "lifetime stretch" for most beneficiaries of retirement benefits. Accounts must be withdrawn—and applicable income taxes paid—within 10 years of the account owner's death.

If you're a glass half-full type: tax benefits still exist for the plan

owner, even increased ones for those who can delay RMDs until age 72. Plus, the "stretch" was a loophole for many decades. However, the rubber band has regained its elasticity, and beneficiaries can no longer defer taxes ("stretch") at the same pace.

Concerned? Consult your tax advisor and estate planner as you may need to make changes to your beneficiary designations and trust or will documents.



Lawyer Joke

Q: If a lawyer and IRS agent are both drowning and you can only save one, would you go to lunch or read the news?

Tip / News: New Numbers for 2020

Estate/transfer tax

Vermont estate tax exclusion: \$4,250,000

Federal estate and lifetime gift tax threshold: \$11,580,000

Federal gift tax exclusion (annual): \$15,000 [no change from 2019]

Vermont Medicaid

Community Spouse Resource Allowance: \$128,640

Home Equity Limit (singles): \$595,000

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