SIA

Quarterly Newsletter Bringing You Financial Insights From The Leaders | VOL 13 | ISSUE 1

THE SIA REPORT

WHAT YOU NEED TO KNOW ABOUT THE SECURE ACT

BY **Sam Miller**
CFA®, CFP®, CAIA®,
Senior Investment Strategist

For the better part of the last decade, Congress has been rigidly divided across party lines, unable to pass much in the way of legislation. And with election-year battles heating up, it doesn't appear as though gridlock will be letting up anytime soon.

On December 20, 2019, however, as part of a $1.4 trillion spending package, Congress passed the Setting Every Community Up for Retirement Enhancement (SECURE) Act[1] – the most sweeping set of changes to retirement legislation in more than a decade. While there are many important provisions in the Act (for both individuals and businesses), the following provides a highlight of key features that may likely impact you as well as some strategies to consider:

Traditional IRA Age Limit

- With life expectancies rising, more and more Americans are choosing to continue working beyond traditional retirement age. Starting in 2020, there will no longer be an age limit for contributing to traditional IRAs (as long as there is earned income to fund contributions).
- **Implications:** While it may make sense for you to contribute to a traditional IRA after age 70½, this could potentially create a situation where you might be contributing to an IRA and taking required minimum distributions (RMDs) at the same time. To avoid this, you may want to consider using a Roth IRA to save after age 70½ , since Roth IRAs do not have RMD requirements. If your income is too large for a Roth contribution, you may want to consider a "backdoor Roth", in which you make after-tax contributions to a traditional IRA and then do a Roth conversion.

Retirement Account RMDs

- For anyone turning age 70½ in 2020 or later, RMDs don't need to begin until the year in which you turn age 72 (instead of the year in which you reach age 70½).
- **Implications:** Overall, this is good news as you may now have an additional two years to let retirement savings grow tax deferred before you're forced to begin taking taxable distributions. However, in some instances a more favorable outcome can be achieved by taking distributions before they're required in order to spread out the anticipated tax burden over a greater number of years.

Retirement Account Distributions for Childbirth/Adoption

- Starting in 2020, there's a new exception to the 10% penalty for early distributions from retirement accounts. Distributions (up to $5000) will be penalty-free if made during the one-year period beginning from the date on which your child is born or the date you legally adopt an eligible adoptee. Regular income taxes will still apply to distributions, so proceed with caution.
- **Implications:** It's great to have the option to withdraw funds penalty-free. However, try to use assets from your bank or brokerage account to pay those expenses, so retirement assets can have the potential to grow in a tax-advantaged environment.

Distribution Rules for Inherited Retirement Accounts

- *"Stretch IRA"* distribution rules have mostly been eliminated. Specifically, if the owner of a retirement account dies in

1 https://www.congress.gov/116/bills/hr1865/BILLS-116hr1865eah.pdf

continued on page 2...

2020 or later, the account beneficiary will be required to fully distribute the account within 10 years of the original owner's death.

- Note, this doesn't apply to certain eligible beneficiaries such as (1) the surviving spouse of the account owner, (2) a minor child of the account owner, (3) anybody who is disabled or chronically ill[2], or (4) any designated beneficiary not more than 10 years younger than the account owner.

- While the account must be distributed within 10 years, the distributions do not have to occur evenly over those 10 years and there is no mandated annual RMD.

- **Implications:** This shorter maximum distribution period could result in unanticipated tax bills for beneficiaries who stand to inherit high-value traditional IRAs. There are several strategies that may be employed by account owners today or account beneficiaries in the future.

  Account owners might consider:

  - Increasing the number of beneficiaries on their accounts to spread out and decrease taxable income received by each beneficiary;
  - Strategically allocating shares based on beneficiaries' anticipated income tax brackets to maximize tax efficiency of distributions;
  - Enacting lifetime partial Roth conversions to reduce tax burden on beneficiaries; and/or
  - Using Charitable Remainder Trusts to provide a potential steady income stream for beneficiaries combined with a gift to a qualified charity at the end of the trust's term.

  Some options available to beneficiaries to assist with tax mitigation include:

  - Spreading distributions out across a time frame for as long as possible to reduce annual income;
  - Strategically timing withdrawals so that larger distributions are made in years with lower taxable income; and/or
  - Simply leaving the account balance alone for as long as possible and withdrawing everything at the end of the tenth year.

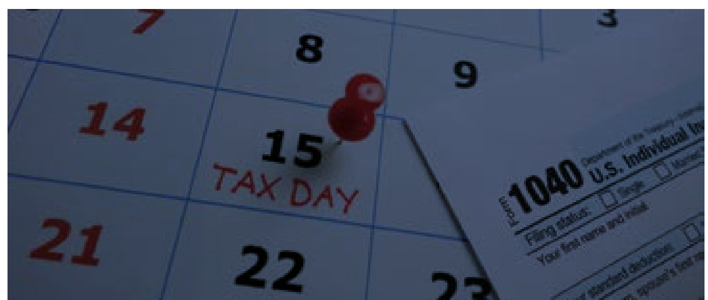
529 Plans

- Qualified higher education expenses have been expanded to include fees, books, supplies, or equipment required for apprenticeship programs and up to $10,000 used to repay student loans for the account beneficiary (plus another $10,000 for repayment of student loans for each of the beneficiary's siblings).

- Note, if a 529 distribution is used for repayment of student loan interest, that same interest cannot be deducted under the student loan interest deduction.

- **Implications:** 529 plans continue to be a great option for college savings. The new provisions only increase their versatility and allow assets to now be used to help out family members burdened by student debt.

From new IRA rules to 401(k) provisions and 529 adjustments, the SECURE Act attempts to take a positive step toward addressing some of the growing challenges and concerns associated with our current retirement and savings system. Many features of the Act will have an effect on both individuals and businesses in the years to come. Any individual with a retirement account or plan should rethink their beneficiary designations, estate plan, and retirement income strategy. Make sure to consult with your advisor to determine the best ways to adjust to and take advantage of the new law.



Tax Day Is Now July 15: What to Know About Filing, Payment and IRAs

The Internal Revenue Service has extended the deadline for filing individual tax returns for 2019 to July 15 from April 15 in response to the coronavirus pandemic. Millions of taxpayers now have an extra three months to file their returns and pay what they may owe the IRS for 2019. This new three-month extension applies to individuals, corporations, estates and trusts, regardless of how much tax is owed. The deadline for making contributions to Individual Retirement Accounts, Roth IRAs and Health Savings accounts is also extended to July 15, 2020.

The Wall Street Journal, March 21, 2020

2 Per the definition found in IRC 7702B(c)(2)

2020 INTERNATIONAL WOMEN'S DAY

Sunday, March 8th marked International Women's Day – a global day to celebrate the social, economic, cultural and political achievements of women, and a call to action for greater equality. An equal world is an enabled world; one that's healthier, wealthier and more harmonious. Together we can bring about this change.

At SIA, we embrace the belief that equality isn't just a women's issue, it's a business issue. Gender equality is essential for economies and communities to thrive. And we're proud and honored to have so many women assuming leadership and key roles throughout our organization, including:

THANK YOU

CENTURY CITY, CA

Rachel Otto
May 2015

Richelle Parra
October 2015

Vanessa Garcia
October 2017

Ariana C. Rodriguez
November 2017

Ellen Baldecchi
July 2018

Sabina Pinsky
Marketing & Events Specialist
October 2005

Liselotte Richards
Compliance & Operations Specialist
August 2014

Alina Barrass
Client Service Manager
January 2013

We're inspired by all of these incredible contributors, and look forward to cultivating future generations of empowered women. To learn more about what you can do each and every day to help foster equality, please visit internationalwomensday.com.

"Empowering women isn't just the right thing to do–it's the smart thing to do."

Barack Obama

Dear Clients,

As our country and world grapples with the COVID-19 outbreak, please be reassured SIA's relationship managers and staff are here to help you with your financial needs. Our business continuity plan (BCP) is well-rehearsed and in place for our office and custodians, namely Charles Schwab & Fidelity.

Thank you for the trust you've placed in us. We are confident with the collaborative assistance of your advisors, we together will navigate through this storm and come out stronger on the other end, as we have many times before.

From our SIA family to yours, be healthy and be safe.

"I believe successful wealth management is the result of an ongoing collaboration between investor and advisor, built upon trust and maintained according to the highest standards of integrity and expertise.

Brian D. Holmes,
MS, CFP®, CMFC, AIF®,
President & CEO

ABOUT SIA

Signature Investment Advisors® (SIA) is a Registered Investment Advisor firm offering investment management solutions that are tailored to meet the unique needs of affluent individuals and organizations. In partnership with your wealth manager, we bring our combined experience, expertise and high level of service to provide a dynamic process that can meet your investment objectives and goals.

KEY UPDATES FOR 2020

	2019	2020
401(k) contribution limits	$ 19,000	19,500
401(k) catch-up (over age 50)	6,000	6,500
IRA contribution limits	5,500	6,000
IRA catch-up (over age 50)	1,000	1,000
SEP IRA contribution limits	56,000	57,000
Simple IRA contribution limits	13,000	13,500
Deductible IRA phaseouts for MFJ begin at	103,000	104,000
Roth IRA phaseouts for MFJ begin at	193,000	196,000

Source: IRS

SIA
Signature Investment Advisors®
A subsidiary of Signature Estate & Investment Advisors, LLC®

Century City, CA
2121 Avenue of the Stars, Suite 1600
Los Angeles, CA 90067
T 888 349 3241 F 310 855 3955
SignatureIA.com