

Your Legacy

A Planned Giving Newsletter From The Northeast Community College Foundation

Northeast
community college
FOUNDATION

Setting Every Community Up for Retirement Enhancement (SECURE) Act

The Setting Every Community Up for Retirement Enhancement (SECURE) Act, which took effect January 1, 2020, governs the rules for how we save for retirement and what we may do with the retirement funds. The SECURE Act is meant to be an incentive, helping us improve **retirement savings by creating more flexible rules for savings and use of funds.**

What are the general benefits?

- **The RMD (Required Minimum Distribution) age increased to age 72** from 70 ½. This gives taxpayers another 1 ½ years to defer withdrawals which can mean a significant boost to retirement savings.
- **You can contribute to a traditional IRA for as long as you live and work.** Previously, the contribution cutoff was set to 70 ½. SECURE removes this restriction, because Americans are working and living longer.
- **401(k) opportunities are now available for part-time employees.** More part-time employees can qualify because the Act lowers the number of hours worked from 1,000 to 500. The employee must also have worked three years in a row.
- **The contribution cap for auto-enrollment 401(k) plans and simple IRAs jumps from 10 to 15%.** If your employer-sponsored plan provides auto enrollment, the amount withheld for your savings can increase each year until it reaches 15% of your pay.
- **Annuity Option to Existing Plans.** Before this law, withdrawals had to be taken in lump sums, and then taxed. Now, plan administrators can help retirees move their savings into investment vehicles/annuity plans that will pay them out for a longer period of time.

What are the concerns?

- The “stretch” IRA allowed non-spouse beneficiaries to “stretch” RMDs from an inherited account over their life expectancy. This plan will no longer be allowed. The new law requires all funds from an inherited IRA, 401(k) or

other defined contribution plan to be distributed to non-spouse beneficiaries by the end of the 10th year following IRA owner's death. (Some exceptions include minors, disabled, chronically ill or those not more than 10 years younger than the deceased IRA owner.)

- RMDs for spouse beneficiaries are delayed until the end of the year in which the deceased IRA owner would have reached age 72.
- The SECURE Act prohibits 401(k) loans provided through credit or debit cards, to discourage easy access to retirement funds to pay for routine purchases. (To some, this can be recorded under benefits above.)

Since a number of the SECURE Act's provisions will be subject to interpretation by the Internal Revenue Service, be sure to consult with a tax advisor about your own situation. ■



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FULFILLING *dreams*

ANNUAL SCHOLARSHIPS

Annual scholarships are awarded to students on a yearly basis.

A minimum amount is required to establish a scholarship in your name.
Contact the Northeast Community College Foundation to learn more.

ENDOWED SCHOLARSHIPS

Endowed scholarships create a permanent fund in which contributions are invested to ensure the scholarship retains its value in perpetuity. Scholarships are awarded from the interest accrued while the principal is never touched.

A minimum of \$25,000 is required to establish an endowed scholarship, which will generate one \$1,000 scholarship annually. Incorporating endowed scholarships into estate planning is a significant way to help students achieve their dreams and leave a legacy.

