Making your financial future more "SECURE"

New SECURE Act legislation brings big changes. Here's what it means for investors.

Uncle Sam gave investors a nice holiday gift last December when Congress passed the **Setting Every Community Up for Retirement Enhancement (SECURE) Act**. The new law is meant to help Americans save more for retirement while also getting more out of 529 college savings plans. Let's quickly recap some of the bigger changes.

For retirement investors

☑ **What's changed: Make IRA contributions after age 70½ to keep building your account**

What it means: The SECURE Act eliminates the 70½ age limit for contributing to Traditional IRAs. For the 2020 tax year, you can contribute no matter what your age, as long as you're receiving taxable compensation (as defined by the IRS). Note: The new law doesn't apply to Roth IRAs, which already have no age limit for contributions.

☑ **What's changed: Keep your money invested longer to increase growth potential**

What it means: Because more people are living longer, the age to start taking required minimum distributions (RMDs) from Traditional IRAs and qualified company retirement plans (e.g. 401(k)s) has been pushed back from 70½ to 72. If you can afford to wait, that's extra time your money may have to grow on a tax-deferred basis to help reduce the risk of running out later in life.

The new law applies to anyone turning 70½ in 2020 and beyond. If you're already taking RMDs from your account or plan because you turned 70½ prior to 2020, continue to follow the old rules. As before, you can take out more than the minimum required amount. Original Roth IRA owners aren't affected because those accounts don't have RMDs.

Charitable donations from IRAs can still start at 70½

Unlike the age to begin RMDs, the rules for making "qualified charitable distributions" from Traditional IRAs remain the same. You can still make qualified charitable distributions beginning in the year you turn 70½—even if you're not yet taking RMDs.

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☑ **What's changed: Some beneficiaries may have to spend down (begin withdrawing) retirement accounts faster**

What it means: Fewer people will be able to "stretch" withdrawals from inherited retirement accounts over their lifetime to help manage taxes. Under the SECURE Act, some beneficiaries would be required to empty inherited IRAs and qualified company retirement plans within 10 years of an account owner's death, starting in 2020.* Generally speaking:

If your beneficiary is...	Inherited accounts must be completely withdrawn...
Surviving spouse Disabled or chronically ill Not more than 10 years younger than you	Over life expectancy
Minor child	Over life expectancy until age of adulthood; then within 10 years
More than 10 years younger than you Minor who is not your child	Within 10 years

*Beneficiaries who inherited assets before January 1, 2020 can continue withdrawing their inherited retirement assets in the manner they previously withdrew.

☑ **What's changed: Take penalty-free early withdrawals for births or adoptions**

What it means: Starting this year, parents may be able to pull up to $5,000 from company retirement plans or IRAs within 12 months after having or adopting a child. The usual 10% early withdrawal penalty is waived, though income taxes may still be due.

Despite the change, it's usually best to avoid dipping into retirement funds, especially if you've got money elsewhere. The new law does allow you to potentially recontribute whatever amount you take out to get your account back on track.

For college investors

☑ **What's changed: Pay more qualified expenses with a 529 plan, including student loans**

What it means: Families can take tax-free withdrawals to pay down college loans for account beneficiaries and their siblings—up to a lifetime maximum of $10,000 per student. In addition, 529 plans can now be used to pay for qualifying apprenticeship programs. Please note, there are loan interest deduction considerations.

Next step: Talk to your J.P. Morgan Advisor and tax and legal professionals

The SECURE Act includes other changes not listed here, including incentives for small business owners to start retirement plans for their employees. Because every investor's situation is different, be sure to also consult with a tax professional or attorney about your unique situation and how these changes may impact you. Then, you can speak with a J.P. Morgan Advisor about the new rules and how they might affect your retirement, college, estate and charitable goals.

Together, you and your J.P. Morgan Advisor can review your current investments and future strategies to decide if any changes are needed.

IMPORTANT INFORMATION

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Some states, for example, offer favorable tax treatment and other benefits to their residents only if they invest in the state's own Qualified Tuition Program. Investors should determine if their home state offers 529 Plan that may offer such favorable tax treatment and benefits to residents or beneficiaries of that state that may not be available to investors or beneficiaries of other states. Investors should consult their legal, tax or accounting advisor before investing in any 529 Plan or contact their state tax division for more information. JPMorgan Chase Bank, N.A. and its affiliates do not offer legal, tax or accounting advice.

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