



News & Views / January 2020
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New SECURE Act and retirement accounts

How will the recently signed SECURE Act (short for Setting Every Community Up for Retirement Enhancement) affect your retirement strategy? The most important changes of the Act, which went into effect Jan. 1, 2020, are:

1.) The Required Minimum Distribution age for retirement accounts changes from 70 ½ to 72. Those who turn 70.5 years old in 2020 will not be required to withdraw RMDs until they are 72. (If you're already receiving RMDs, you must continue.) However, QCDs (Qualified Charitable Distributions) can still be done starting at age 70 ½.

Though not part of this act, a related development is the IRS's update of its life expectancy tables for calculating of RMDs starting in 2021. For example, an 80-year-old's RMD is currently calculated on a life expectancy of 18.7 years, but that will increase to 20.2, thus decreasing the effective RMD rate from 5.35% to 4.95%.

2.) Inherited IRA and 401(k) distributions can no longer be "stretched" over the life expectancy of the beneficiary, but must be distributed *completely* over a 10-year period, with exceptions for spouses, minor children until they reach the age of majority, people with disabilities or chronically ill, and beneficiaries not more than 10 years younger than the account owner. If you've already inherited a retirement plan, however, this change won't apply to you.

There won't be annual required minimum distributions, but at the end of the 10-year period, the account must be emptied. This could have significant tax consequences for those who inherit in 2020 and beyond. You should review your current estate plan with your advisor, especially if it involves leaving retirement accounts in trust for your heirs, to explore the consequences for you and your beneficiaries.

3.) The age cap for contributing to a traditional IRA has ended, though income requirements and limits still remain.

4.) Long-term part-time employees will be permitted to participate in 401(k)s.

5.) New parents who contribute to an IRA or 401(k) plan are now able to withdraw up to \$5K for qualified birth and adoption expenses without incurring a penalty. However, it will be more difficult to take money out of an IRA for non-retirement expenses.

6.) Up to \$10K of leftover money in a 529 college savings plan can be applied to student loans, including those of siblings.

7.) Employers may now offer annuities as options within 401(k) plans.

Not-so-safe deposit boxes?

It's been a time-honored practice to store valuable documents and small belongings (jewelry, small collectables) in a bank safe deposit box. However, safe deposit boxes are not regulated by federal banking laws, or even insured by the banks themselves. During some recent cases where boxes were moved, lost, robbed, drilled open for nonpayment of fees, or closed in error by the bank, the banks involved fought tooth and nail against offering any restitution to the customer.

If you use a safe deposit box to store valuables, ask the bank about the limits of liability it offers, which vary considerably. If you change your address, notify your bank so you continue to receive annual fee notices. Open your box at least once each year to verify the contents are intact.

Alternatives include purchasing a high-quality home safe for storing papers and small items, and making digital copies of important papers and storing them in a secure online "vault". Whatever you choose, be sure items of significant monetary value are covered on your insurance policy, with a special rider if necessary.

A healthy resolution for 2020

Researchers in England have concluded that spending that just 2 or more hours outdoors in nature each week contributes to higher levels of health and well-being, regardless of age, gender, state of health, or level of activity. After about 5 hours, the benefits level out. Another massive study conducted in collaboration with the World Health Organization found that having outdoor greenery around the home increases longevity, and the more greenery, the better. Contributing factors may be that looking at plants apparently lowers stress, and touching plants may strengthen the immune system as well as provide fresh oxygen.

But you don't have to go outdoors to benefit from what plants have to offer. Texas A & M University compiled the results of studies that suggest that plants stimulate the senses and the mind, improving vitality, mental cognition and performance; indoor plants or window views of greenery improve hospital recovery times, and cultivating plants can reduce stress overall, even for those who have undergone mental or physical trauma (all gardeners know this). And who knew – flowers do make people feel happier.

Best wishes for a happy and healthy 2020,



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