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NEWSLETTER

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What is the SECURE ACT and What Does it Mean to Me? By Eric Nager, CRPS®

The SECURE Act, passed by Congress and signed into law by President Trump in December of 2019, has been described as the most impactful legislation pertaining to retirement plans since 2006. We will here share some of the highlights of the law, especially as they might apply to our clients. A comprehensive review of the act is available from Pentegra Retirement Services, which is the primary source for this article:

www.pentegra.com/wp-content/uploads/2020/01/The-SECURE-Act-Overview.pdf

First, since the majority of our clients have Individual Retirement Accounts (IRA), there are three provisions of the new law that apply specifically to IRAs. Perhaps most significant is that the age for Required Minimum Distributions (RMD) has been raised from 70.5 to 72. The age for receiving full Social Security benefits has risen over the years, so it seems only

fair for the RMD age to be raised also in recognition that people are working and living longer. It is important to note that the law applies to those turning 70.5 in 2020 and beyond. In other words, if you turned 70.5 in 2019 or earlier, you must continue to take your annual RMD.

A second IRA provision related to the RMD provision allows workers to continue contributing to a traditional IRA past age 70.5. Again, this is a recognition by the government that people are working and living longer; so as long as you have earned income, you can now contribute to an IRA beyond that age. Before the new law, workers could still contribute to a 401k or Roth IRA beyond age 70.5, so this provision is seen as an act of fairness.

A third provision that tax payers might not be so happy about is the change in rules for inherited

IRAs for non-spouses. Previously, a non-spouse could inherit an IRA and “stretch” the time required to take RMDs over his or her lifetime. According to the new law, those who inherit non-spousal IRAs must distribute the entire account within 10 years of the death of the account owner.

While there are some allowable excep-

tions to this rule, the effect will be increased taxable income for the beneficiaries of these accounts.

The other highlights of the new law apply to 401k and other types of retirement plans. I will here address four.

1. From the standpoint of a small business owner, there are new tax



credits to start a retirement plan.

A small business is defined as having up to 100 employees over a 3-year period starting in 2020. The types of plans a credit applies to are SEP and SIMPLE IRA's, 401k's, and profit-sharing plans. The credit ranges from a minimum of \$500 to a maximum of \$5,000 with a bonus credit available if the employer includes a provision to automatically enroll eligible participants.

2. Related to this provision is that business owners will be able to offer an increased cap for automatic escalation of participant contributions from 10% to 15%. Automatic escalation means that for plans with this provision prior to the new law, participants could automatically increase their contributions each year by 1% up to a cap of 10% unless they opted out of this feature. Now participants will be able to contribute up to 15% automatically over time. This is important because it allows workers to save more money faster without having to consciously

elect to do so.

3. From the standpoint of someone who participates in a retirement plan, the new law benefits long-term part-time workers. Under old law, employers could exclude participation in plans for those who work less than 1,000 hours per year. Under the new law, employers will have to allow those who work at least 500 hours over 3 consecutive years access to participate in the plan. The idea is to give more workers the ability to contribute to a retirement plan.

4. There will be one less barrier to small, unrelated business to join together in offering a plan to their combined employees. This is known as a multiple employer plan, or MEP. Before the new law, there was a stiff punishment called the "bad apple rule" by which all the employers in the plan would face a penalty if one of the employers failed to meet the eligibility rules. The new law eliminates that rule, thus encouraging more small firms to offer

retirement plans.

As an individual, if you think one or more of these new provisions affects you, it is a good idea to verify it with your tax professional.



As a business owner with an existing plan or thinking of starting one as a result of the new law, we are happy to talk to you and include a Third Party Administrator (TPA) in the discussion. While there is usually some good and bad in every new law, most of the provisions of this one seem to be an attempt by the government to make it easier for individuals and businesses to save and invest for the future.

Speaking of Eating

- ⇒ Americans are eating more snack bars and more snacks in general. Snack-bar sales in the U.S.—including nutrition and performance bars—rose 3.2% last year outpacing overall packaged-food sales. Sales for older cereal-and-granola bar brands, though, fell 3.7% last year through August. *Source: Wall Street Journal*
- ⇒ 20% of all American meals are eaten in the car. *Source: Stanford University*
- ⇒ Americans consume between 2,500 and 4,500 calories at the Thanksgiving table. That's the equivalent of eating between four and eight Big Macs in a single sitting. *Source: Insider*
- ⇒ Over 10 billion donuts are consumed in the US every year. *Source: The Huffington Post*
- ⇒ Americans consume 31% more packaged food than fresh food. *Source: New York Times*
- ⇒ Healthiness of the food we eat decreases every hour that passes in the day, meaning we eat healthiest at breakfast and will most likely eat unhealthier food later in the day. *Source: mensfitness.com*

...What's For Dinner?!!

1099 Tax Info

Most of the 1099 tax documents for 2019 have been issued by TD Ameritrade and may be found electronically when you sign into your account on

www.advisorclient.com

It is no longer necessary for Southern Capital Services to send out tax information. Everything you need should be on the 1099 including fees paid.

Be on the lookout for
CORRECTED 1099s.