

Change in Federal Law: Losing the 'Stretch'

Let's Discuss the Beneficiaries of Your Retirement Accounts

The SECURE (Setting Every Community Up for Retirement Enhancement) Act (the "Act") took effect on January 1, 2020, making substantial changes to the rules regarding retirement account distributions, including a required 10-year payout for most non-spouse beneficiaries of IRAs and other retirement plans.

Changes to Existing Law

For estate planning purposes, the Act's most important change is the elimination of the "stretch IRA." Previously, a beneficiary of a retirement asset could "stretch" the payout of benefits over his or her lifetime, minimizing the income tax consequences of the distributions. This included retirement benefits payable to a so-called "conduit" trust. Now, under current law, retirement benefits payable to a beneficiary other than a spouse (including a conduit trust) must be withdrawn within 10 years from the participant's death. There are limited exceptions if the beneficiary is chronically ill or under other disability.

The Act changes other rules related to retirement accounts including, among others, eliminating the maximum age for traditional IRA contributions and increasing the age for starting required minimum distributions to age 72.

Review Your Designated Beneficiaries and Give Us a Call

We recommend reviewing the beneficiaries of your retirement accounts and contacting your estate planning attorney to discuss how the new rules may impact your family estate plan. This is particularly important if you have named a trust as a beneficiary of retirement assets. We will advise you on any changes that should be made to your plan, as well as the benefits and drawbacks of using a trust as a designated beneficiary or choosing outright distribution to an individual under the current law.

For more information, please contact:



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