



The SECURE Act 2.0 Individual Investor

The Setting Every Community Up for Retirement Enhancements (SECURE) Act increases saving opportunities for Americans. SECURE Act 2.0 was recently passed and contains roughly 90 separate provisions, many of which became effective January 1, 2023. Below is a summary of some of the more substantial changes:

TOPIC	PRE SECURE ACT 2.0 LAW	SECURE ACT 2.0	INDIVIDUAL INVESTOR CONSIDERATIONS	EFFECTIVE DATES
Reduce the Penalty for Failure to Take Required Minimum Distribution (RMD) From 50% to 25%	A penalty of 50% of the shortfall was imposed for failure to take an RMD.	Failure to take an RMD results in a 25% penalty on the amount not withdrawn. If the failure to take an RMD from an IRA is corrected in a timely manner, the excise tax is further reduced from 25% to 10%.	Correct RMD failures in a timely manner.	January 1, 2023
Taxes on Corrective Distributions From IRAs	Corrective distributions were subject to 10% penalty.	Corrective distributions and associated earnings from excess contributions to IRAs are no longer subject to the 10% early withdrawal penalty.	N/A	January 1, 2023
Increase in Age for Required Beginning Date (RBD) for Mandatory Distributions	RBD age previously was 72.	Participants are generally required to begin taking distributions from their retirement plans at age 73 starting January 1, 2023 and eventually increasing to age 75 starting in 2033.	Make sure RMDs are being taken, if required.	January 1, 2023
New Qualified Charitable Distribution Rule	Previously not permitted.	IRA charitable distribution will allow for a one-time, \$50,000 distribution to charities through charitable gift annuities, charitable remainder unitrusts, and charitable remainder annuity trusts.	Consult your estate planning attorney as well as your tax professional to determine whether you should consider this strategy.	January 1, 2023
Tax Treatment of IRA Involved in a Prohibited Transaction	Previously not permitted.	If an individual has multiple IRAs, only the IRA with respect to which the prohibited transaction occurred will be disqualified.	N/A	January 1, 2023
Rollovers From 529 Accounts to Roth IRAs, Under Certain Conditions	No 529 rollovers permitted.	Beneficiaries of 529 plans are permitted to roll over funds to a Roth IRA up to the annual contribution limits, subject to a lifetime maximum of \$35,000. The 529 account must have been open for more than 15 years.	Consider rolling unused 529 plan assets to a Roth IRA in order to repurpose the funds for retirement.	January 1, 2024

Clarification of Substantially Equal Periodic Payment (SEPP) Rule	Limited exceptions available.	The SEPP exception continues to apply in the case of a rollover of the account, an exchange of an annuity providing the payments, or an annuity that satisfies the required minimum distribution rules.	N/A	January 1, 2024
Withdrawals for Emergency Personal Expenses	Emergency expenses would have a 10% penalty on withdrawals prior to age 59 ½ unless another exemption is met.	Certain distributions can be used for emergency expenses, which are unforeseeable or immediate financial needs relating to personal or family emergency expenses. The withdrawal is exempted from the 10% premature distribution penalty tax. Only one distribution is permissible per calendar year of up to \$1,000. The distribution can be repaid within three years.	Consider this penalty-free withdrawal option that has been made available in your IRA.	January 1, 2024

If you have questions on the SECURE Act related to your financial situation, please reach out to your Stifel Financial Advisor.



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