The SECURE Act and Qualified Charitable Distributions (QCDs) - What This Means to You

The **Setting Every Community Up for Retirement Enhancement (SECURE) Act**, was signed into law at the end of 2019, packaging together a number of changes intended to improve Americans' retirement security.

Here are some of the key changes outlined in the act. As always, you should consult with your personal tax advisor regarding your own situation.

What is the SECURE Act?
The Setting Every Community Up for Retirement Enhancement (SECURE) Act is a bipartisan retirement bill that was included in a larger legislative package passed by the House of Representatives on December 17, 2019, and by the Senate on December 19, 2019.

When does this law become effective?
Most provisions in the law became effective January 1, 2020.

Impact to IRAs

How does the law change required minimum distributions (RMDs)?
The law increases the age at which an individual must begin taking required minimum distributions (RMDs) from 70½ to 72. The act states that this change applies beginning with IRA account owners who will attain 70½ on or after January 1, 2020.

Congress recognizes Americans are increasingly working and living longer and updating RMD rules to reflect changes in life expectancy will allow Americans to continue their retirement savings for an extended period of time.

Before the Secure Act, one could make qualified charitable distributions (QCD"S) from an IRA starting at 70½. Now that the Secure Act delays required minimum distributions until 72, does it also delay the ability to make charitable contributions and take the related tax savings?
The Secure Act made **no** change to the age at which qualified charitable distributions may be made. That's still 70½. The ability to make a donation as a QCD from an IRA at age 70 ½ remains intact.

For someone who wants to transfer their IRA/401(k) upon death to a qualified nonprofit charity, does the Secure Act create a tax event in this situation?
No. You may designate a charitable organization, such as Cornwall Manor, as the beneficiary of your retirement account. In doing so, the charity – not you – will be treated as receiving the distribution; therefore, neither you nor your estate will owe income taxes on the amount. While the amount will be included in your taxable estate, your estate will receive a deduction for the amount inherited by the charity, resulting in an offset of the estate taxes. Furthermore, because charities do not pay income taxes on the donations they receive, the distribution will avoid being taxed as income.

What is the impact to contribution rules for traditional IRAs?
For taxable year 2020 and beyond, the law removes the age limit at which an individual can contribute to a traditional IRA. Prior to the act, an individual could not contribute after age 70½; the act allows anyone that is working and has earned income to contribute to a traditional IRA regardless of age.

Cornwall Manor does not provide legal or tax advice. The information provided is general and educational in nature and should not be considered legal or tax advice. We always advise you to consult an attorney or tax professional regarding your specific situation.

February 2020

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Questions?
Please contact Cornwall Manor's Advancement Team at advancement@cornwallmanor.org or 717-675-1510.

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the new nature of senior living