# 2020 Contribution Limit Changes & the Secure Act

Understanding the changes for 2020 so you can maximize your retirement

There are some significant changes to your retirement plans starting January 1, 2020. Between the Internal Revenue Service announcing cost-of-living adjustments for tax year 2020 and the new Secure Act, there is a lot to digest. Here are the highlights:

## IRS Cost-of-Living Adjustments

Detailed in Notice 2019-59 and posted on IRS.gov, the IRS is increasing the contribution limits to your 401(k) and other retirement plans starting January 1, 2020, including:

- Maximum employee contribution rises to $19,500
- Combined employer and employee contribution rises $57,000
- Employee catch-up contribution for participants ages 50+ rises to $6,500
- Combined employer and employee contribution for ages 50+ rises to $63,500
- Annual compensation limit for calculating contributions increases to $285,000
- Highly Compensated Employee limit increases to $130,000
- The compensation amount regarding simplified employee pensions remains unchanged
- The limitation regarding SIMPLE retirement accounts rises to $13,500

## The Secure Act

The Setting Every Community Up for Retirement Enhancement Act of 2019 – the SECURE Act – passed through the House of Representatives and the Senate and was signed by President Trump shortly before Christmas.

While the SECURE Act contains 29 provisions, here are a few of the most significant changes:

- Pushes back the Required Minimum Distribution Age from 70 ½ to age 72
- Allows individuals who are still working to contribute into an IRA regardless of age
- Offers tax incentives to small businesses to set up automatic enrollment in retirement plans
- Allows employers to join with other companies and offer joint-retirement plans at a lower cost
- Allows many part-time workers to participate in employer-sponsored retirement plans
- Creates a new early withdrawal penalty tax exemption of up to $5,000 from an IRA to use for birth or adoptions costs
- Provides protection for employers to offer more lifetime income options, such as annuities
- Requires most non-spouse beneficiaries to accelerate withdrawals from an inherited IRA over 10 years versus their lifetime
- May provide IRA beneficiaries named through a "conduit trust" with unconstrained access to funds sooner than intended by trust creators

## Start Planning Your 2020 Changes Now

The changes from the IRS and the new SECURE Act both alter the rules surrounding retirement plans. And while many of them are simple, others are very complex. As such, investors should study the details and potential implications before blindly adopting.

Please reach out to your financial advisor at Tri-Star to make sure you understand the new rules and how they may affect you and your family.