



SLOW YOUR ROLL

The Setting Every Community Up for Retirement Enhancement (SECURE) Act effectively ended stretch distribution for most designated beneficiaries for owner deaths in 2020. However, those holding certain 403(b) and governmental 457(b) plans still have the option for lifetime stretch distributions for deaths occurring prior to January 1, 2022.

Last year, the SECURE Act changed the lifetime distribution rules for designated beneficiaries. Instead of the lifetime distribution rules that these beneficiaries could have utilized for deaths in 2019 and before, designated beneficiaries must now follow what is known as the “10-year” rule. This rule states that designated beneficiaries must take full distribution of the account proceeds no later than December 31 of the year containing the tenth anniversary of the IRA owner’s death.

What many people don’t realize is that there was delayed implementation for certain collectively bargained and governmental plans. Those plans are not subject¹ to the new beneficiary distribution rules until January 1, 2022.

For example, Miguel has both an IRA and a 403(b) plan, and his adult children are beneficiaries on both. He is considering consolidating all into the IRA. You may want to advise him to hold off until early 2022 to preserve the lifetime stretch option in the unlikely event he passes prior to January 1, 2022.

What does this mean for clients if they are participating in these plans? Well for one, they may want to hold off on rolling over such a plan, if that had been under consideration, until after the end of 2021.

If clients pass unexpectedly this year, their designated beneficiaries may still be able to take advantage of lifetime stretch options.

¹Check with the plan administrator to confirm that the plan qualifies under the old rules.

Additional Resources and Links

[RMD Wavier \(and Confusion\) in 2020 \(pt. 2\)](#)

[The SECURE Act: Key Retirement Plan Provisions](#)

[Key Components of the SECURE Act \(webinar\)](#)

[SECURE Act of 2019](#)

For more information about retirement planning,
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2 of 2



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