



PROVISION OF THE SECURE ACT

Partial Elimination of Stretch IRAs

For deaths of plan participants or IRA owners occurring before 2020, beneficiaries (both spousal and non-spousal) were generally allowed to stretch out the tax-deferral advantages of the plan or IRA by taking distributions over the beneficiary's life or life expectancy (in the IRA context, this is sometimes referred to as a "stretch IRA"). Now, for deaths of owners or participants in 2020 and thereafter, if the beneficiary is not a spouse, plan or IRA assets generally must be totally distributed within ten years following the plan participant's or IRA owner's death. So, for non-spouse beneficiaries, the "stretching" strategy is no longer allowed. There are special rules for certain government plans or plans subject to provisions of collective bargaining agreements.

Exceptions to the 10-year rule are allowed for distributions to (1) the surviving spouse of the plan participant or IRA owner; (2) a child of the plan participant or IRA owner who has not reached majority; (3) a chronically ill individual; and (4) any other individual who is not more than ten years younger than the plan participant or IRA owner. Beneficiaries who qualify under an exception may generally take distributions over their life expectancy (as allowed under the rules in effect for deaths occurring before 2020).