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TRUSTS & ESTATES NEWSLETTER

January 2020

# SECURE Act Significantly Changes Required Minimum Distributions for Inherited Retirement Assets

Federal legislation known as the "SECURE Act" (the "Act") was signed into law on December 20, 2019. The Act makes substantial changes to the rules governing IRAs and other qualified plans. Participants born after June 20, 1949 may now defer withdrawals (known as required minimum distributions, or "RMDs") until age 72, an increase from age 70½ under prior law. In addition, the Act eliminates the maximum age for making contributions of earned income to IRAs. Most significantly, however, for estate planning purposes, the Act curtails the ability of most beneficiaries to "stretch" payments from an inherited IRA or other qualified retirement plans over the beneficiary's life expectancy.

Under prior law, many non-spouse beneficiaries of retirement accounts could withdraw the inherited retirement account assets gradually by taking distributions (the RMDs) over the beneficiary's life expectancy, if longer than that of the participant. The Act effectively eliminates this option for participants dying after January 1, 2020, by imposing a maximum payout period of ten years for most non-spouse beneficiaries. By requiring retirement account assets to be distributed in their entirety within ten years of the participant's death, the assets may be subject to income tax in the hands of beneficiaries much more quickly than under prior law and may push the beneficiary into a higher income tax bracket than would have been the case with payout based on the beneficiary's life expectancy. In addition, the ten-year period results in a significantly shorter period for the retirement assets to grow on a tax-deferred basis. Spouses may continue to take distributions from inherited retirement accounts based on their own life expectancy, as may certain other limited classes of beneficiaries, including disabled or chronically ill individuals, beneficiaries who are not more than ten years younger than the participant, and minor children of the participant (until the children reach the age of majority).

The income tax impacts of the Act will be very significant for beneficiaries of substantial retirement accounts. Clients with retirement accounts payable to a trust may require revisions to their trust documents. Please contact your Shipman & Goodwin estate planning attorney if you would like a review of your estate plan in this regard.

Trusts & Estates

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## Shipman & Goodwin Expands Trusts & Estates Practice, Opens Old Lyme Office, With Addition of Kitchings & Potter

Suzanne Kitchings

Shipman & Goodwin LLP announced in October that it had expanded its Trusts & Estates practice with the addition of Suzanne D. Kitchings and Edward (Ted) B. Potter, who founded Kitchings & Potter LLC in 1997. Kitchings & Potter LLC focused on estate and tax planning, wills and trusts, charitable gifts, probate law and estate administration.

Ted Potter

Kitchings and Potter, who serve as counsel at Shipman & Goodwin, and two paralegals remain in their current Old Lyme, Connecticut offices, which became a Shipman & Goodwin office. Shipman & Goodwin trusts & estates partners Bryon W. Harmon and Danielle P. Ferrucci, as well as other Shipman & Goodwin trusts and estates attorneys, also work in the Old Lyme office.

Shipman & Goodwin's trusts and estates attorneys provide guidance on matters involving estate and tax planning, estate settlement and trust administration. The practice now includes 12 attorneys in four offices -- Hartford, Greenwich, Lakeville and Old Lyme. The Shipman & Goodwin Old Lyme office is located at 5-1 Davis Road East.

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