

The SECURE Act: Q&A

Q: What is the SECURE Act?

A: The SECURE Act stands for “Setting Every Community Up for Retirement Enhancement”, a law that took effect on 01/01/2020, that was intended to strengthen retirement security across the country.

Q: Why is the SECURE Act so important to those planning for retirement or already retired?

A: The SECURE Act dramatically changed the tax law rules, substantially increasing the income taxes paid by your children on inherited IRAs by eliminating the “stretch” provision. This now obsolete provision was the centerpiece of thousands of estate plans across the country that will now have to be quickly addressed.

Q: What is the “stretch” provision in an IRA account?

A: Previously, distributions of inherited accounts, could be stretched out over the life expectancy of the heir much like a surviving spouse. The inherited account could grow tax free and the heir could take distributions for the rest of their life. Now, with few exceptions, heirs must withdraw all funds over a 10-year period and pay taxes on distribution. Exceptions are made for certain beneficiaries, including spouses and the chronically ill or disabled.

Q: Why is this important?

A: Typically, a child’s parent passes when the child is in the peak earning period of their professional career. At that time, they may inherit the balance of their last parent’s IRA account. By compressing the time period in which they must take the distribution to 10 years, they are layering that income on top of their existing income. This oftentimes pushes the child into a higher tax bracket in addition to the heavy taxation on distributions from IRA accounts (sometimes 37% to 50%). Apart from a substantial dilution of their inheritance, they also lose a significant time in which the IRA investment account can grow tax free.

Q: What can be done to address these problems?

A: Parents can setup a **Testamentary Charitable Remainder Unitrust**.

Q: What does a Testamentary Charitable Remainder Unitrust do?

A: This type of trust replaces your obsolete stretch IRA plan. It spreads out the income payments over the lifetime of your heirs vs. over 10 years. It provides income tax savings to the heirs and allows tax-free growth inside the trust during the heirs’ lifetime. It protects heirs. It typically protects the IRA’s principal from creditors, lawsuits, divorces, etc. It is changeable and revocable during your lifetime. The trust is sometimes called a “give it twice” trust because it enables you to give the gift of income to your heirs and leave a potentially comparable gift to support our cause.

The SECURE Act: Q&A

Q: How does this trust work?

A: You can create an unfunded or minimally funded charitable remainder unitrust today or direct that one be created and funded with your IRA when you pass away. You have the ability to designate the trust beneficiaries, payout rate and term (lifetime or up to 20 years). Make sure to update your IRA beneficiary designation to designate the trust as the beneficiary of your IRA. Upon your passing, the trust will receive the IRA distribution and then begin to make payments to your heirs.

Q: I thought trusts were for only for wealthy people with big estates. Is this strategy right for me?

A: If you are planning to benefit your family through your IRA, currently depending on a now obsolete stretch IRA plan, **interested in saving taxes**, and charitably minded... then a testamentary charitable remainder unitrust is a worthwhile option to consider.

Q: Why should I include Wellstar in my estate planning?

A: Planned giving offers a tax efficient way for you to support the causes that are most meaningful to you during your life and in the years following. A planned gift in support of Wellstar Health System furthers our mission: to enhance the health and well-being of every person we serve. That means, improving access to world-class healthcare, advancing local medical technology, educating youth and the general public on healthy practices, caring for individuals in need and so much more. As one of the largest and most integrated not-for-profit health systems in Georgia, philanthropic support of Wellstar has the capacity to touch countless individuals. But we can't do it alone. 100% of every dollar we receive supports initiatives that make meaningful difference in local healthcare.

For more information about your estate planning, please contact **Gene Weeks, Sr. Planned Giving Officer, at the Wellstar Foundation.**

Gene Weeks, Wellstar Foundation
805 Sandy Plains Road, Suite 100
Marietta, GA 30066
770-956-GIVE (4483)
gene.weeks@wellstar.org

This information is not intended as tax, legal, or financial advice. Under federal rules, your benefits may be different from this example. Consult your personal financial advisor for information specific to your situation.