

The Impact of the SECURE Act on the IRA Charitable Rollover

On December 20th, 2019, the Setting Every Community Up for Retirement Act (SECURE Act) was signed into law. The intent of the SECURE Act is to extend the time for Americans to save for retirement. A key change in the new law relates to the age in which individuals are required to start taking their required minimum distributions (RMDs) from tax favored retirement accounts. The age requirement that triggers the RMD has now increased from 70 ½ to 72.

This modification has left many donors wondering, “What is the impact of this new change on the IRA Charitable Rollover?” Here are a few quick points:

Who and When: The new law affects individuals who have or will turn 70 ½ **after 2019**.

For example, a person who turned 70 on July 1, 2019 became 70 ½ on January 1, 2020. This person and all others with later birth dates will be affected by the new law.

These individuals will not be required to take an RMD or eligible to make a qualified charitable distribution (QCD) until turning 72.

Amount: The previous law allowed an individual to make a QCD directly from a qualified IRA for an amount up to \$100,000. The new law will reduce this limit for some donors. The reason being - the SECURE Act now allows individuals to contribute to their IRAs even after reaching age 70 ½. The justification for extending the timeframe is that Americans are living longer and should be afforded more time to save for retirement. When it comes to tax time, some qualified donors will be able to claim a deduction for their additional IRA contributions. As a tradeoff, the \$100,000 QCD limit will be reduced by the aggregate amount of IRA contribution deductions allowed for prior tax years.