The House overwhelmingly passed a new bipartisan bill 417-3 called the SECURE ACT or **Setting Every Community Up for Retirement Enhancement Act** focusing on making big changes to the U.S. Retirement System. Here?s what you need to know about the bills proposals: One of the major talking points **is raising the age RMD?s aka Required Minimum Distributions must be taken from Retirement accounts from 70 • to 72.**This is a move in the right direction, but why stop at age 72 when the fastest growing demographic of workers is those over the age of 65? Why punish those still working or people who would still like to contribute to IRA?s by stopping at 72. Certainly a move in the right direction, but still falls short of meaningful reform. Thank goodness the House?s bill does away with the downright confusing age of 70 • for those pesky RMD?s. Ok, this one I know many of you are rolling your eyes at, **but being able to have annuities inside 401k?s is a BIG deal.** You?re probably asking why? Well quite frankly because the vast majority of Americans are underfunded in the retirement savings department. In a recent study by Fidelity Investments they found that the **average retirement savings account balance for individuals between 60-69 is $195,500.**

Using the old school and stodgy 4% rule individuals can expect to collect $7,820 annually or $651.67 each month. Combine that with the estimated average monthly Social Security benefit payment i**n January 2019 of $1,461 for a total of $2,112.67 average monthly income for retirees.** This means many are going to have to continue working, find a part time job or live on much less in retirement than they anticipated.• This part of the bill will help retirees and employers. It will help retiree?s by being able to choose to utilize an annuity inside of their 401k. An annuity for these intentions is generally defined as a guaranteed stream of income that an annuitant (you the owner) can?t outlive. **Key word?s- stream of income that you can?t outlive. Believe it or not having this option is a good thing for Americans.** Here?s where the small business owners or employers win on the 401k front which is flying under the radar is actually providing some safety to employers when using state licensed insurance companies in which the company is domiciled for annuity products if an insurance company went out of business. **This is good because it will protect employers from liability assuming proper due diligence and requirements are followed.** The Secure Act will also allow employers with affiliations to ban together to reduce administrative and fiduciary costs. If this bill ultimately passes all hurdles I expect you will begin to hear more about MEPs or Multiple Employer Plans. **This is another win for small business owners.** Another win for the consumer - albeit a small win, because I do believe most 401k plans already provide this service - **is making it a requirement for 401k providers to show the estimated income you can expect based off of current or future balances in a 401k.** This is a win for the consumer.• However, investors need to be cautious and understand what types of returns these simulations use. Too many times to count we see software and media financial pundits alike lull investors into a false sense of security by projecting unrealistic and much higher than average returns. Understanding how the markets work and the math of loss will give you a leg up in planning for your retirement. The market is not always bull and neither is your financial plan.

The Kiddie Tax change is a win for all parents out there who are putting funds aside in their children?s names! The Kiddie Tax most are familiar with was changed with the tax code in 2017. The Kiddie Tax after 2017 was boosting tax rates on unearned income received by children to their parents tax rates. It will now be repealed. •This is especially important for families in lower to middle income as it more often than not catches them by surprise. That really hurts when you?re trying to make ends meet and also put funds aside only to be penalized in the long run. This has two thumbs up from RIA. Want to know the one thing about this bill I hate the most? **Have you ever heard of a stretch IRA?** A stretch IRA has been a well utilized strategy enabling families to stretch out IRA distributions to future generations after death. Guess what, potentially gone. Currently when a non-spouse beneficiary inherits an IRA as of right now they have several options to distribute funds.

1. *Take the funds within 5 years*
2. *Stretch out over your lifetime using your IRS life expectancy numbers*
3. *Take the money and run*

Guess what, the government giveth and they taketh. The new bill states that all distributions (with the exception of spouses and minor children) all funds must be taken out within a 10 year time frame. This provision in the bill is estimated to generate 16 billion over the next 10 years. This is a shame and brings to light what we all know about the government, they need our tax dollars and now more than ever. This should have you thinking about what you can do to protect your assets and beneficiaries. Now could be a good time to utilize surgical Roth Conversions. This could prove to be an extremely beneficial tool especially while most are enjoying lower tax brackets. Run a distribution analysis to determine if you are taking distributions to keep you in a lower tax bracket over the life of your plan. If you have questions, your advisor hasn?t simulated for Roth conversions or how to pinpoint how much and where to take your distributions from call or email us, we?d love to help.

Bottom Line:

With this bill lawmakers fail to address some of the bigger issues.

- ***Where does this plan actually help Americans?•***
- ***What about the 1/3rd of Americans who can?t afford a $400 emergency?***
- ***The average Joe?s are being overlooked yet again.***

There is a lot of good in this bill, but I think it?s a half-assed attempt for Uncle Sam and the broader government to say, *?look what I did for you today! Elect me tomorrow?!* **Keep in Mind:** This bill still has to go before the Senate which already has a similar bill on the docket so I would expect changes or slight modifications. If this is moved on by the Senate, the bill will then head to the President?s desk. I think it?s very unlikely that anyone regardless of party will not vote for this bill. My bet is there will be some modifications. As they come, your financial plan will be updated accordingly.