

Cannell & Spears Quick Takes: Personal Finance

Congress has changed the rules: Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 and SECURE Act 2.0 of 2022. What does that mean for you?

Required Minimum Distributions (RMDs): What are they, and when do I have to take them?

- For those with an IRA (but not a ROTH IRA), you will need to take annual RMDs based on the year in which you were born. The amount of your RMD is set by an IRS calculation that factors in your age and the prior year end value of your IRA.
- If you reached 70½ in 2019 you are already taking your RMDs.
- Same goes for those of you who turned 72 in 2020.
- Being born in 1950 allowed you to wait until your 73rd birthday to start withdrawals.
- However, if you were born in 1958 or after, you won't have to start your RMDs until you are 75.

Inherited (Beneficiary) IRAs

- If you inherited an IRA from a non-spouse after 2019, the clock is ticking on making your required withdrawals.
- While nuanced, the 10-year rule generally requires the beneficiary of an inherited IRA to withdraw all of the assets in the inherited IRA by the end of the tenth year following the year of death by the original IRA owner.
- The impact of the withdrawals on your tax picture might be meaningful, particularly if you are in your prime working years or if your income fluctuates.
- A conversation about how to optimize those withdrawals may prove useful.

Contributory IRAs

- SECURE 2.0 increased the catch-up limits for those 50 or older starting in 2025 to \$10,000 and then will be indexed to inflation.
- For 2024 the limit is \$8,000 for those 50 years or older.
- Those under 50 can contribute \$7,000 in 2024.
- Remember that your contribution cannot exceed your taxable earned income for the year. For example, if your earned income is \$5,000, then you can only contribute up to \$5,000 into your IRA.

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