

OLD DOMINION

CAPITAL MANAGEMENT, INC.



Happy Belated New Year!

We don't know how it happened, but mid-February 2020 is upon us even though it feels like we were celebrating the New Year yesterday. Two quick details:

- We will be closed for President's Day on February 17th.
- 1099s from Schwab are still being released through this month.

One big thing has already happened in 2020. As part of a larger government spending package, Congress included provisions from the Setting Every Community Up for Retirement Enhancement (SECURE) Act. The act includes many common-sense, long-overdue reforms that could make saving for retirement easier and more

accessible for many Americans.

Here's a summary of key provisions of the SECURE Act and how they may affect you:

Required minimum distributions (RMDs) now begin at age 72.

****If you are turning 70½ in 2020 and had planned on taking an RMD, please check in with your Advisor to make sure this is still the best option for you.****

You can make IRA contributions beyond age 70½.

****Now is the time to work with your Advisor to determine your retirement readiness, how long you plan to work, and when you expect to start withdrawing from your retirement savings. This change doesn't apply for tax year 2019, as it will begin for tax year 2020 contributions. You can make your tax year 2020 contribution up until April 15, 2021.****

Long-term, part-time workers will be able to join their company's 401(k) plan.

****If you are in this situation, you finally have the opportunity to take advantage of these tax-efficient ways to save for retirement.****

Inherited IRA distributions generally must now be taken within 10 years.

****If you have an IRA that you planned to leave to beneficiaries based on prior rules, check in with us, as this change may require you to reevaluate your retirement and estate planning strategies. If you're a beneficiary of an inherited IRA or 401(k) and the original owner passed away prior to January 1, 2020, you shouldn't need to make any changes.****

Small-business owners can receive a tax credit for starting a retirement plan, up to \$5,000.

****If you're a small-business owner and have not yet established a retirement plan for*

*your employees, consider taking advantage of the new credit to establish a retirement plan.****

Small-business owners will find it easier to join together to offer defined contribution retirement plans.

****If you're a small-business owner and have not yet established a retirement plan or would like to make changes to your plan that may make it easier to implement, consider taking advantage of the new law by joining a multiple employer plan, which will be available in 2021. If you're a small-business employee whose employer is currently unable to offer a plan, consider letting your employer know about this new opportunity.****

You can withdraw up to \$5,000 per parent penalty-free from your retirement plan upon the birth or adoption of a child.

****Talk to your Advisor about whether or not it makes sense for you to take advantage of this provision if you do not have ample personal savings to fully fund the birth or adoption of a child.****

529 funds can now be used to pay down student loan debt, up to \$10,000.

****If your family's 529 plans have money left over after you pay for college expenses, consider using the remaining money to help pay off student loans.****

Talk to us!

Work with your Advisor to help clarify your personal and financial goals for both your retirement plan and your estate plan. Changes in the tax code, family relationships, and your own financial circumstances are common—requiring that you update your planning strategies. Remember, your plans should evolve as you do, that's what we're here for.

In 2020, we plan to send these newsletter updates quarterly rather than monthly, in March, June, September and December.

Sources:

www.congress.gov/bill/116th-congress/house-bill/1994

RISKS AND OTHER IMPORTANT CONSIDERATIONS

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