4 Steps You Can Take to Stay Ahead of the Game

The Stretch IRA is Gone. Now What?

With the passage of the Setting Every Community Up For Retirement Enhancement ("SECURE") Act, and the resulting elimination of the "Stretch IRA" for all but a few eligible designated beneficiaries, here are some suggested action steps you can take to get in front of your clients about the change.

Action #1: Reach Out

Contact your clients to discuss the changes before they hear about it from someone else! Any client or prospect that you work with who has expressed a desire to leave a legacy, regardless of the amount they have in qualified retirement accounts and IRAs, should be on your list.

Action #2: Pay Attention to Inherited IRAs

Don't forget to contact clients who have already inherited qualified or IRA accounts. Provided the death of the IRA or qualified plan owner occurred prior to January 1, 2020, the designated beneficiary(s) may continue to use the life expectancy option. Transferring an existing Inherited IRA may be a challenge as carriers work through their processes under the new landscape. For now, you will need to work with your marketer to determine whether a carrier will accept an existing Inherited IRA.

Action #3: Evaluate Beneficiary Designations

Perform an evaluation of the current beneficiary designations on your clients' accounts. Those who have named trusts as their IRA or retirement plan beneficiaries should be your first priority. The new 10-year rule doesn't have an annual RMD requirement and, instead, just requires that the account be distributed by December 31 of the tenth year following the year of death, so trust language needs to be re-examined to ensure that there will not be a hefty tax consequence. For example, if a trust is written to only permit a trust beneficiary access to the RMD, this could result in the beneficiary not having access to any of the funds until the end of the tenth year.

Action #4: Treat it as an Opportunity

Don't panic! The swift kick that the Stretch IRA got doesn't mean that there aren't still opportunities for you to bring value to your clients. This is an opportunity to offer solutions to the potential roadblock that the revised post-death rules created. Life insurance, Roth IRAs (for their tax-free nature), and even QCDs (and other charitable techniques) could be potential solutions to align with the goals of your clients and prospects.

Stay tuned for a more in-depth look at the life (and death) of the Stretch IRA after the SECURE Act, along with more opportunities to create solutions.

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