

PRISM PLANNING & SOLUTIONS GROUP, LLC

Stretch IRA Newsletter



FROM YOUR ADVISOR

When the Fed cut interest rates in September, yields on 2-year and 10-year Treasuries fell to levels we hadn't seen since early 2023, but since then both are back above 4%. None of us really knows why for sure, but all indications are that while there are indications of some slowing in labor markets, the US economy overall is still quite strong. Multiple metrics – CPI, Durable Goods Orders, GDP, and Core PCE – have all been slightly higher than expected this month, suggesting another interest rate cut too soon could actually be inflationary. Building permits and oil inventories suggest the economy may be slowing, even if only a little bit. And unemployment numbers are sending conflicting signals – last month they suggested a slowing economy, but the most recent numbers came in stronger than expected, especially in light of the hurricanes in September.

What does it mean to investors? This is a good time to make sure your overall allocation between cash reserves and your long term portfolio are correctly balanced; anything you know you need to spend in the next 24 months shouldn't be subject to principal risk, in my opinion. Within your long term portfolio, has your allocation to US Large Cap companies become overweight? With the S&P 500 up more than 20% year-to-date, it may make sense to consider rebalancing to your target weights, especially since earnings are up only about 15% from a year ago.

SECURE ACT FINAL REGULATIONS HAVE BEEN RELEASED

When the SECURE Act was passed in 2019, it eliminated the Stretch IRA for most beneficiaries. For years, IRA owners made decisions about estate planning and intergenerational wealth transfer based on the Stretch IRA rules. Many people established trusts specifically to serve as IRA beneficiaries that would provide lifetime income for heirs and protect them from excessive spending and complicated divorces. Many of those estate plans were thrown into flux when the SECURE Act first passed, and as of July 18, 2024, we have the Final Regulations on the implementation of SECURE and Proposed rules for implementing SECURE 2.0.

Having clarity on the implementation of the dozens of changes related to IRAs in the SECURE legislation is an important step in updating the estate plans that depend on the Stretch IRA.

UPCOMING EVENTS

We look forward to sharing exciting events and updates with you soon!

In the meantime, we invite you to follow us on social media for the latest information.



Feel free to check out our previous events and trending topics on our [WEBSITE](#).

Stay tuned and thank you for being a part of our journey!



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SECURE ACT FINAL REGULATIONS HAVE BEEN RELEASED

Prior to 2019, there were only two types of IRA beneficiaries - Designated and Non-Designated. A Designated was any real person for whom a life expectancy could be calculated, and any other beneficiary was Non-Designated and had to empty the IRA account with five years of the IRA owner's death. Designated beneficiaries could choose the Stretch IRA, and surviving spouse beneficiaries also have the choice of rolling over the deceased's IRA into their own. Designated has now been divided into Eligible and Non-Eligible, and only those qualifying as Eligible Designated Beneficiaries may use the Stretch IRA. You can read more [HERE](#).

"ALL THINGS IRA CORNER"

The final rules for implementing the SECURE Act specifically addressed several key questions for beneficiaries when the IRA owner dies before taking their RMD for that year.

- Any designated beneficiary can take the year-of-death RMD. (Note that from the IRS' perspective, the IRA becomes the beneficiaries at the moment the IRA owner dies, so the deceased's estate would never take the RMD.
- Beneficiaries now have until Dec. 31st of the year following the date of death to take the year-of-death RMD.
- If an IRA owner dies without having taken their full RMD, and has multiple IRAs with different beneficiaries, each beneficiary must take a proportionate share of the shortfall. Note that allocation of the shortfall to a specific IRA must be calculated without regards to whether some of the year-of-death RMD was already made to the IRA owner form that IRA before her death.

For more information on the Final Regulations for implementing the SECURE Act and how they may affect you, consider speaking with a member of Ed Slott's Master Elite Advisor GroupSM. Click [HERE](#) to schedule a 15 minute conversation with Julia.

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Julia Peloso-Barnes, CFP® is a member of Ed Slott's Master Elite IRA Advisor Group™. For more information on anything mentioned in the "All Things IRA" Corner please email Julia at Julia@PPSgrp.com or schedule a call/zoom [here](#).

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KEY POINTS

- Stretch IRAs, a key tool in many estate plans, have been eliminated for most beneficiaries.
- Estate plans that rely on using Stretch IRAs (including Roth IRAs) to provide lifetime income for adult children and protect assets from divorce will need to be revisited and may need to be restructured.
- Spouses and Non-Designated Beneficiary options haven't changed, but most IRA beneficiaries will now be considered Non-Eligible Designated Beneficiaries and will need to empty the IRA account within ten years of the IRA owner's death, including Roth IRAs.



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