

Wealth Without Borders

Your Quarterly Newsletter

The purpose of this newsletter is to share cross-border wealth management news and insights with our clients and colleagues in the cross-border industry.

THE SECURE ACT: EFFECTIVE IMMEDIATELY

Overview

The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 has wide-reaching impact for retirement savings and estate planning for Americans. The SECURE Act broadens the effectiveness of individual retirement accounts and employer-sponsored retirement savings plans. It also expands access to tax-advantaged retirement savings accounts and, ultimately, aims to help Americans save enough for a secure retirement. The SECURE Act's provisions are effective immediately unless otherwise noted.

The first major retirement income overhaul in more than a decade was included in a spending bill approved by Congress and signed by President Donald Trump in December 2019. The SECURE Act marks a dramatic change to tax laws that may have an impact on many Americans in 2020 and beyond.

The long-term tax implications of these changes need to be considered when updating retirement and estate plans. This newsletter highlights some key financial planning considerations of the SECURE Act and the impact it may have on cross border clients and business owners.

IMPLICATIONS FOR INDIVIDUALS: NO MORE STRETCHING

The SECURE Act made significant changes to inherited retirement plans, including 401(k)s, traditional IRAs and Roth IRAs. Under the previous rules, non-spousal beneficiaries of these accounts could typically spread distributions over their life expectancy. The new law includes a provision that **requires most beneficiaries to distribute their inherited IRA account over a 10-year period**. This 10-year period ends on December 31 of the 10-year anniversary of the death of the original account owner.

The new 10-year rule will affect beneficiaries of account owners that die in 2020 and beyond. Beneficiaries of account owners who passed away in 2019 and earlier are grandfathered under the old rules. In addition to those individuals grandfathered in, there are other exceptions to the new 10-year rule. They include spousal beneficiaries, chronically ill, the disabled and individuals who are not more than 10 years younger than the original account owner is. Individuals that are included in these exceptions may follow the prior rules and stretch distributions (spouses may also treat as own). In addition, beneficiaries who are minor children may use the stretch until they reach the age of majority and will then follow the 10-year rule, so it may make sense in cases to name minor children as beneficiaries to stretch the IRA.

Current Rates & Data

Govt of Canada

90 day	1.63%
1 year	1.61%
2 year	1.49%
5 year	1.37%
10 year	1.36%
30 year	1.47%

U.S. Treasury

90 day	1.57%
1 year	1.47%
2 year	1.42%
5 year	1.41%
10 year	1.57%
30 year	2.02%

Canada Prime Rate

3.95%

U.S. Prime Rate

4.75%

Exchange Rates

CAD/USD	0.756
USD/EUR	1.081
JPY/USD	111.3

Removal of Age Limitation on Ira Contributions

The SECURE Act repeals the age limitation for contributions to traditional IRAs, which was 70 1/2. This is significant, particularly for those who continue to work later in life, and it aligns with contribution rules currently in place for 401(k)s and Roth IRAs.

Penalty-Free Distributions for Birth of Child or Adoption

A new rule allows an aggregate amount of \$5,000 per parent to be distributed without penalty from a retirement plan when there is a qualified birth or adoption of a child. The distribution needs to occur within one year of the adoption or date of birth of the child.

Increase in Qualified Expenses for 529 Plans

The SECURE Act increased the list of qualified expenses of 529 plan distributions. Notably, distributions for apprenticeship programs and “qualified education loan repayments” are now allowed. Up to \$10,000 may be distributed to pay both principal and interest for qualified education loans for the plan beneficiary and an additional \$10,000 may be used to repay loans for each of the plan beneficiary’s siblings.

IMPLICATIONS FOR U.S. BUSINESS OWNERS: GOOD NEWS ALL AROUND

The SECURE Act created a new \$500 tax credit for small businesses that use an automatic enrollment arrangement in their retirement plans. Automatic enrollment increases plan participation. Small businesses were eligible for a \$500 tax credit for the start-up costs of establishing a retirement plan. The SECURE Act substantially increases the available credit amount available for small businesses that open a retirement plan. Depending on the small business, **the potential credit could be as much as \$5,000.**

Lifetime Income Disclosure for Defined Contribution Plans



The SECURE Act requires that defined contribution plans deliver a lifetime income disclosure to participants at least once every 12 months. This lifetime income disclosure would essentially show how much income the lump sum balance in the retirement account could generate. The methodology for calculating lifetime income is still being evaluated.

Increase Small Employer Access to Retirement Plans

Effective January 1, 2021, the SECURE Act reduces fiduciary liability concern and cost among small employers with multiple employer plans or pooled employer plans, eliminating the “bad apple” rule and **making it easier for them to set up and offer 401(k) plans for their employees.**

CROSS BORDER TIDBITS - SUPER TUESDAY AND UPDATED ODDS!

Joe Biden has staged a stunning comeback to make it a two horse race with Bernie Sanders. Endorsement from recent dropouts has fueled Biden’s campaign, but questions linger about his health. Mike Bloomberg has fallen out of the race. Hilary Clinton is not on the ballot but is still garnering wagers. This raises the prospect of a brokered convention as both the frontrunners have lingering health issues.

Contract	Latest Yes Price	Best Offer	Buy Yes	Buy No	Best Offer
 Bernie Sanders	51¢ 6¢ ↓	51¢	Buy Yes	Buy No	51¢
 Joe Biden	40¢ 9¢ ↑	41¢	Buy Yes	Buy No	60¢
 Michael Bloomberg	8¢ 2¢ ↓	9¢	Buy Yes	Buy No	92¢
 Hillary Clinton	5¢ 1¢ ↓	6¢	Buy Yes	Buy No	95¢

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