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To: Clients of Collins & Collins, P. A.

**Regarding: The Secure Act - The 10 Year Rule for IRA and Qualified Plan Distributions**

Effective January 1, 2020, the SECURE ACT became law (it was signed on December 20, 2019). The immediate result of this new law is that account balances of IRAs and qualified retirement plans ("IRAs") must be distributed completely to a Designated Beneficiary within 10 years of the death of the plan participant or IRA owner.

The lifetime expectancy payout known as the S-t-r-e-t-c-h IRA, the bedrock of IRA planning for years, is now **eliminated** for all Designated Beneficiaries except for a limited class of five (5) Eligible Designated Beneficiaries:

- The *Surviving Spouse* is an Eligible Designated Beneficiary and thus is still eligible for a life expectancy payout, recalculated annually, and the deferral of minimum distributions until age 72. An IRA can be paid to a properly drafted see-through conduit trust for a surviving spouse, preserving the life expectancy payout.
- *Disabled or Chronically Ill Individuals* (as defined in the SECURE Act) are Eligible Designated Beneficiaries and thus are eligible for a life expectancy payout.
- The *Minor Child of an IRA Owner or Plan Participant* is an Eligible Designated Beneficiary and a life expectancy distribution scheme is available until the child reaches age 18. This exception for Minors is of little or no value. **Minor grandchildren are not eligible.**
- A *Designated Beneficiary not more than 10 years younger than the deceased participant or IRA owner* is an Eligible Designated Beneficiary and may use a life expectancy payout.

YOU SHOULD REVIEW IMMEDIATELY YOUR EXISTING BENEFICIARY DESIGNATIONS FOR IRAs (AND QUALIFIED PLANS). IN PARTICULAR, YOU SHOULD REVIEW ANY IRA OR QUALIFIED PLAN PAYABLE TO A TRUST (YOU MAY HAVE A "STAR TRUST.")

Please contact us with questions or to schedule a review of your existing IRA beneficiary designations.