Compass Planning Associates

Fee-Only Financial And Investment Planning

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Welcome. We at Compass Planning continue to appreciate your support. Thank you.

Much of the new SECURE 2.0 tax law comes into effect in 2023, with other parts phasing in over the next couple of years. The act has even more provisions than the first SECURE act so we've sifted through the act to find the changes that affect most of our clients. As with all new tax laws, stay tuned here for more detailed information on how these new changes will work.

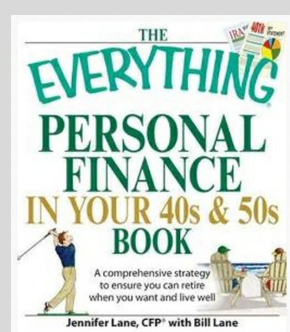
If you missed our series on retirement, you can still access the issues. For Retirement, Part 1 - Retirement Savings, click **here**. For Retirement, Part 2 - Social Security, click **here**. For Retirement, Part 3 - The Retirement Paycheck, click **here**.

SECURE 2.0 offers many changes that may benefit you. If you would like assistance with your tax planning, we are here to help you stay *On Course*!

Jennifer Lane, CFP

Fortify your retirement nest egg and save money on interest, fees, and taxes by using different types of investments and accounts together with balancing debt reduction and retirement savings.

Get more tips in Jennifer's book



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The SECURE 2.0 Act

Here are some key areas of change that may affect you.

Required Minimum Distributions (RMDs) are pushed back again for retirees and folks over age 72

- The act moves the RMD to age 73 for everyone not yet taking them and to age 75 for those born in 1960 or later. If you're planning on making Roth IRA conversions before your RMDs start, this is a good opportunity as well as a break from the added income (and its

potential effect on Medicare premiums), provided you don't need your RMDs toward expenses.
- Note that the eligibility age to make qualified charitable distributions (QCDs) has stayed at 70 1/2. QCDs are one way to make charitable contributions if you lose that deduction while the standard deduction remains high, expected at least through the 2025 tax year.

New access to work retirement plans for emergencies, for some workers who retire early, and those in a disaster

- Until now exceptions to the IRA 10 percent early withdrawal penalty were limited. Withdrawals for college expenses, inherited IRAs, and home down payments were the most common early withdrawals.
- The new act adds several exceptions for emergency withdrawals and expands the number of public safety workers eligible for penalty-free withdrawals, starting at age 50.
- The act also makes permanent the disaster area exception and adds an exception for victims of domestic abuse, those with a terminal illness, and those paying for long-term care insurance.
- These new exceptions (along with other parts of the act) phase in over the next few years.

Saving for retirement will be easier, which means you should annually review what you save and which accounts you use

- Until now, self-employed people could access Roth savings only by creating a Roth 401(k). SECURE 2.0 adds the Roth option to the much easier and less expensive to administer SEP IRAs and SIMPLE IRAs.
- Your employer may offer to match the Roth part of your retirement plan at work. The pre-tax option had been the only option prior to the act.
- And, starting in 2024, your employer can add a match based on your student loan payments in addition -- or in place of -- any amount you're contributing to your work plan.
- To help increase emergency savings (and, hopefully, reduce hardship withdrawals) your employer may also add a linked emergency savings account to your plan at work.
- Higher wage earners age 50+ who are eligible for an additional "catch-up" contribution to their retirement plans will see reduced tax savings because catch-up contributions will be to Roth instead of pre-tax. This limit applies if your wages in the prior year, from the employer sponsoring the plan, were over $145,000. To date, it seems that self-employed workers who receive distributions, not wages, or workers who change jobs thus making their wages from the current employer less than $145,000 are exempt from this limitation.
- Happily, the IRA catch-up amount will now be indexed for inflation, giving those age 50 and older the chance to increase their savings as inflation increases. SECURE 2.0 also allows work plans to offer new catch-up options for employees in their early 60s.

The provisions in the act help married couples and families with 529 college savings plans

- Currently, widowed spouses have the option to transfer their late partners' retirement accounts into their own or leave them as is and continue as beneficiaries.
- The first option is beneficial to a younger spouse who is not in need of withdrawals right away. Consolidation of the accounts serves to delay required withdrawals until the surviving spouse reaches the RMD age.
- Widowed spouses younger than age 59 1/2 and in need of penalty-free withdrawals sooner typically leave the account in their late spouse's name, making penalty-free withdrawals available right away.
- SECURE 2.0 adds the option for the surviving spouse to step into the shoes of the late spouse and effectively continue the account as the

Helpful Websites

Investopedia - SECURE 2.0

IRS

SECURE 2.0 Article

shoes of the late spouse and effectively continue the account as the deceased partner.
- This new approach could benefit younger surviving spouses, particularly those with children with disabilities because of smaller RMD requirements and the ability for the children to stretch their own RMDs instead of being constrained by the 10-year withdrawal rule.
- Every so often we have a client who ends up with money left over in the child's savings plan. SECURE 2.0 provides a limited opportunity to rollover excess 529 funds to a Roth IRA for the beneficiary The 529 plan must be at least 15 years old and the Roth must belong to the same beneficiary. Since 529 plans can be transferred between family members, this new strategy may be a way to move unneeded 529 funds back into the parents' retirement nest egg.

Curious as to what SECURE stands for? Here you go:
***S**etting **E**very **C**ommunity **U**p for **R**etirement **E**nhancement!*

Jennifer In The Media

Below are links to Jennifer's frequent contributions to financial planning articles.

- NBC Boston turned to Jennifer for advice and tips on what to do if you win big in the lottery. **Click** here to watch or read the segment.
- Jennifer contributed to a WBUR Radio Boston segment, ***How to Look Before You Leap into the "Great Resignation."*** Click here to listen.
- NBC10 consumer investigative reporter Leslie Gaydos interviewed Jennifer for savings tips. For a great video, ***How to Save $1,000 in 5 Months***, click here. For the written article, click here.
- Jennifer contributed to a timely article, ***How to seek forbearance on your mortgage,*** for **The Boston Globe**. Read article.
- If you're interested in dividend funds, Jennifer contributed to **The New York Times** article, ***Dividend Funds Can Add Income, and Risk, to Your Portfolio***. Read article.
- Jennifer contributed to a **BankRate** article, ***Should I combine my mortgage and student loans?*** Read article.
- Need help with your 401(k) during the pandemic? Jennifer contributed to a **Boston Globe** article, ***Five tips for managing a 401(k) during the pandemic's turbulence***. Read article.
- Jennifer contributed to the **Bottom Line Inc** article ***Prepare your Finances for a Possible Recession***. Read article.
- Jennifer contributed to **The Wall Street Journal** article ***If Saving During a Pandemic Is Hard, Here's How to Stay Motivated.*** Read article.
- The **New York Times** featured Jennifer in an article titled, ***Balanced Funds Don't Inspire Fear or Greed. That's Why They Are So Useful***. Read article.
- With a contrarian view, Jennifer contributed to an article, ***People are enraged by the idea that you should have twice your salary saved by the time you're 35!*** published recently by **Business Insider**. Read article.
- Moving in together? Check this article from **Business Insider**, ***Five questions you and your partner should answer before taking the biggest step in your relationship.*** Read article.
- **Insider** asked Jennifer to contribute to an article on old fashioned ways to manage your money, ***Six money-saving tips your grandma used that are way more effective than any budgeting app***. Read article.
- Jennifer contributed to an article on **Business Insider**, ***This is the best way to do your taxes online - according to experts.*** Read article.
- **CNN Money's** Money Moves featured Jennifer in an article on how to strike the right balance between retiring early and saving enough. Read article.
- Jennifer contributed to a **CNN Money** article ***When is the Right Time to See a Financial Advisor?*** Read article.

Compass Planning News

- Compass Planning is a sponsor of YW Boston's 2022 two-part Elevating Lives Series.
- Compass Planning continues to meet with clients as well as those interested in learning more about the firm via

phone and web-based video conferencing. Email **info@compassplanning.com** to learn more.

- Compass Planning has become a supporter of **The Center for Financial Planning** at the sustainer level. The CFP Board created the center to achieve a more diverse and sustainable financial planning profession so that every American has access to competent and ethical financial planning advice.

Compass Planning Associates helps families, individuals, and small-business clients achieve financial security, knowledge, and control over their money. Our fee-only, client-centered approach provides education and guidance for achieving financial goals and dreams.

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