ED SLOTT'S IRA ADVISOR

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Tax & Estate Planning for Your Retirement Savings

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Join the Retirement Planning Conversation

The Age 70½ Conundrum Lives On

With the arrival of the Setting Every Community Up for Retirement Enhancement (SECURE) Act, hope was that the clumsy and confusing number 70½ in the tax code would not survive. This arbitrary number seemed to exist for no reason other than to bewilder clients.

With the required minimum distribution (RMD) age raised from 70½ to 72, the chaos surrounding when clients should start taking withdrawals and/or what life expectancy factor to use was supposed to be eliminated. Alas, the irritating planning number of age 70½ remains (at least in part) to befuddle clients.

IRS Notice 2020-6

The IRS recognizes the potential problems and confusion. Considering how convoluted the minimum distribution rules are and how quickly the stage has changed, the IRS went so far as to release RMD reporting guidance in Notice 2020-6 (irs.gov/pub/irs-drop/n-20-06.pdf).

While traditional, SEP and SIMPLE IRA custodians are required to notify each IRA owner who is required to take an RMD for the year (as well as the IRS, via Form 5498), many of these automated notification systems have yet to be updated to reflect the new 72 RMD age.

As such, some account owners who turn 70½ in 2020 (none of whom are required to take an RMD until age 72 under the SECURE Act) may be mistakenly contacted about taking a 2020 RMD. In fact, these people will not have a required beginning date (RBD) until April 1 of 2022 or 2023.

Under the relief in Notice 2020-6, if an IRA sponsor provides an erroneous RMD notification to an IRA owner who will attain age 70½ in 2020, the IRS will not consider the statement to have been provided incorrectly. Such relief is predicated on the IRA owner being subsequently informed by the sponsor that no RMD is, in fact, required. This corrective communication must be made no later than April 15, 2020.

Advisors should identify those clients reaching age 70½ in 2020 and be sure they understand that no RMD is required for 2020 and to ignore inaccurate communications from their IRA custodian stating otherwise.

QCD Age Remains 70½

While the SECURE Act raised the age for RMDs to 72, the qualified charitable distribution (QCD) age was not altered. It stands firm at 70½.

This means that QCDs can be made even before RMDs must begin. The discrepancy between the QCD age and the new RMD age will

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Executive Summary

The Age 70½ Conundrum Lives On

- Under relief in Notice 2020-6, the IRS will not consider erroneous 70½ required minimum distribution (RMD) notifications from sponsors to have been provided incorrectly as long as corrective communication is made no later than April 15, 2020.
- While the SECURE Act raised the age for RMDs to 72, the qualified charitable distribution (QCD) age stands firm at 70½.
- For those who make both QCDs and post-70 ½ deductible IRA contributions, the Setting Every Community Up for Retirement Enhancement (SECURE) Act limits the portion of the QCD that is excluded from income.
- IRA and workplace retirement plan account owners who turned 70½ in 2019 or earlier are still bound by the old RMD rules.
- Account owners must take their RMD by their required beginning date (RBD) or face a 50% penalty on the amount not withdrawn.

Breaking up Isn't Hard to Do

- The identity of beneficiaries is determined by September 30 of the year following the IRA owner's death.
- If an owner dies before his RBD and one of the beneficiaries is a "non-designated beneficiary," the account must be timely split. If not, all of the beneficiaries must be paid out by December 31 of the fifth year following death.
- If the owner dies on or after his RBD and one of the beneficiaries is a non-designated beneficiary, without account splitting, all of the beneficiaries must be paid over the remaining life expectancy of the deceased owner.
- While the IRS requires beneficiaries to be identified by September 30, beneficiaries have until December 31 following the year of death to actually split the account.
- Under the SECURE Act, most non-spouse IRA beneficiaries who inherit after December 31, 2019 can no longer use the stretch.

How the SECURE Act Affects Annuities in Retirement Plans

- Fewer than 10% of employer plans offer the option of using some or all of an account balance to purchase a life annuity.
- The SECURE Act assures participants in defined contribution plans that their annuity investments with a lifetime income option will be portable.
- Retirement plan sponsors must annually publish an estimate of what a participant would receive, per month, if the participant used her total account balance to purchase an annuity for herself or for her surviving spouse.
- It will be up to advisors to understand the specific annuities on retirement plans' investment menus.
- Advisors should make a point to inspect future Department of Labor guidance as those guidelines will help them make informed decisions about specific in-plan annuities.

undoubtedly cause additional confusion.

Fortunately, all other QCD rules remain untouched, i.e., the donation must be directly transferred from the IRA to the charity and nothing can be received in return for the donation; gifts to donor advised funds or private foundations do not qualify; and the per-year limit is still $100,000 per person.

Combining Post-70½ Traditional IRA Contributions and QCDs

The SECURE Act did away with the age limit for traditional IRA contributions, thus opening the door for individuals age 70½ or older to make deductible IRA contributions.

For those who make both QCDs and post-70½ deductible IRA contributions, the new law limits the portion of the QCD that is excluded from income, effectively creating a taxable QCD. (It does not limit the amount of the IRA contribution that is deductible.)

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From the SECURE Act, the formula for calculating the portion of a QCD that will be reduced (not excludable from income), but not below $0, is the aggregate amount of post-70½ deductible IRA contributions minus the aggregate amount of taxable QCDs in all prior years.

Example 1: Roger is age 72 and works part-time as a high school tutor. In 2020, he makes a newly permitted $7,000 deductible contribution to his traditional IRA.

Roger repeats this same transaction every year until he is age 77 when he officially retires. Five annual post-70½ deductible contributions of $7,000 have gone into his IRA totaling $35,000.

Roger has never done a QCD. When he is age 80, he decides it is time to give back and requests a $50,000 QCD be directed to a local education center. Roger's previous deductible contributions of $35,000, preserved by the IRS in a carry-forward bucket, spring forward and consume an equal amount of the QCD.

In the end, $35,000 of Roger's $50,000 QCD becomes taxable, and only $15,000 is excluded from his income for the year.

Using the aforementioned formula: $35,000 (the aggregate amount of post-70½ deductible IRA contributions) minus $0 (the aggregate amount of taxable QCDs in all prior years) equals $35,000.

As such, $35,000 of the $50,000 QCD is not excludable from income (i.e., is taxable).

This situation can be avoided by skipping post-70½ deductible contributions to a traditional IRA altogether and making Roth contributions instead. Or, for those tax filers who itemize, they can make up the excluded QCD amount with a charitable deduction for the difference.

Grandfathered 70½ RMD Rules

IRA and workplace retirement plan account owners who turned age 70½ in 2019 or earlier are still bound by the old RMD rules. The SECURE Act gives them no reprieve. They cannot stop payments and restart when they turn age 72. As such, anyone who turned age 70½ in 2019 has an RBD of April 1, 2020.

This transition period between the old rules and the new rules has created so much confusion that in the previously mentioned Notice 2020-6, the IRS specifically confirms that IRA account owners who turned age 70½ in 2019 must take a 2019 RMD by April 1, 2020.

> Those IRA and workplace retirement plan account owners who turned 70½ in 2019 or earlier are still bound by the old RMD rules.

If a client's RMD is not taken by the RBD (regardless of which side of the coin he falls), he will be subject to a 50% penalty. If a client withdraws only a portion of the RMD amount, then the 50% penalty is calculated based on the amount not taken.

Notice 2020-6 goes so far as to recommend custodians remind IRA owners of their 2019 RMD responsibility. The end result is that two sets of rules will remain in place, all dictated by when an account owner actually turned (or turns) 70½.

Example 2: Married couple, Cecelia and Teddy were high school sweethearts, both born in 1949. Cecelia turned age 70½ in December of 2019, but Teddy turned age 70½ in January of 2020.

Cecelia and Teddy's RBDs will be separated by two years. Cecelia will need to withdraw her first RMD by April 1, 2020, while Teddy will have until April 1, 2022.

While this seems straightforward, the change in RMD age to 72 will require vigilant oversight. For the next couple of years, advisors will still need to verify when a client turned age 70½.

Did they start their RMDs on time? Were they allowed to delay under the SECURE Act? If not, do we have a missed RMD situation? If the RMD was missed, what age should the life expectancy factor have been based on – age 70 or 71?

Planning Responsibilities

Despite hopes of the rules surrounding age 70½ disappearing, advisors must continue to monitor client dates of birth closely. 70½ will continue to play an integral part in planning. Knowing when your client reaches age 70½ is imperative for properly calculating RMDs - *and understanding if an RMD is even necessary for 2020.*

Do not blindly trust an RMD notification from a plan sponsor or IRA custodian – *there is a steep 50% penalty on the line for the account owner.* IRS Notice 2020-6 clearly demonstrates that miscommunications like this are expected (and are likely to be more common in this new era of the SECURE Act).

Regarding QCDs, be keenly aware of how post-70½ deductible IRA contributions can now reach through the years and grab all or a portion of a future charitable distribution. Clients must be mindful of the possible repercussions of such contributions.

Explaining how a Roth IRA works, the tax-free benefits available to clients and their heirs, and the fact that there are no RMDs on a Roth IRA could outweigh the immediate advantages of a deductible contribution. ▪

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Breaking up Isn't Hard to Do

The Setting Every Community Up for Retirement Enhancement (SECURE) Act has changed the way advisors need to evaluate splitting IRAs into separate accounts when there are multiple IRA beneficiaries. Before the SECURE Act, it always made sense to recommend splitting accounts so younger beneficiaries could stretch required minimum distributions (RMDs) over their own longer life expectancy.

With the demise of the stretch IRA under the new law, splitting IRAs for that purpose alone is usually not necessary. However, there are other, more practical reasons to continue recommending that separate accounts be created.

Separate Account Deadlines

It is quite common for IRA owners to name multiple beneficiaries as heirs on their IRA accounts. An IRA owner can always split the account during his lifetime, but often the owner will not want to do so.

One reason is convenience. It is much easier for a client to maintain one IRA than separate IRAs. Not only is there less paperwork, but investments can be managed easier. Also, with separate accounts, the account owner has to make sure that each of the beneficiaries is sharing equally in investment gains or losses.

Another reason is cost. The IRA custodian will likely impose fees for each separate account. If the IRA owner fails to do so, the beneficiaries can still create separate accounts after the IRA owner's death and have more favorable post-death payout options. However, in those cases, there are deadlines that advisors must remember.

The first deadline is that the identity of the beneficiaries is determined by September 30 of the year following the IRA owner's death.

The beneficiaries identified as of September 30 are the only ones taken into account when determining the required distribution rules. In some cases, it will be helpful to the remaining beneficiaries if another beneficiary is paid out before that date and therefore disregarded for required distribution purposes.

The beneficiaries identified as of September 30 are the only ones taken into account in determining the required distribution rules.

As was true before the SECURE Act, if one of the beneficiaries is a "non-designated beneficiary" (NDB) – *for example, a charity, an estate, or a non-qualifying trust* – each of the beneficiaries may be forced to take distributions faster than otherwise required.

The exact timing depends on whether the IRA owner dies before or after his required beginning date (RBD). (For individuals born on or after July 1, 1949, the RBD is April 1 of the year after the individual reaches age 72). If an owner dies before his RBD and the account is not timely split, all of the beneficiaries must be paid out by December 31 of the fifth year following death.

If the owner dies on or after his RBD without a split, all of the beneficiaries must be paid over the remaining life expectancy of the owner (had he continued to live).

One of the quirks of the SECURE Act is that depending on the date of death of the IRA owner, the owner's remaining life expectancy might be longer than 10 years. In that case, a separate account would actually impose a shorter payout period on the living beneficiaries, because they would become subject to the 10-year payout without splitting the account.

Example 1: Tom is an IRA owner who dies at age 73 in 2020.

Tom has named his adult daughter, Mallory, and a charity as co-IRA beneficiaries. Mallory is a non-eligible designated beneficiary, but the charity is a non-designated beneficiary.

If the account is not split by December 31 of the year after death (December 21, 2021), Mallory must take her distributions over Tom's remaining life expectancy had he lived. Under the Single Life Expectancy Table, Tom's remaining life expectancy is 14.8. For her first distribution from the inherited IRA in 2021, Mallory subtracts one and uses 13.8.

Had the account been split, Mallory would have been subject to the 10-year payout rule.

On the other hand, if Tom had been 83 when he died, his remaining life expectancy would be 8.6. Without a separate account, Mallory would be required to use a 7.6 life expectancy for her first distribution from the inherited IRA.

However, with a separate account, Mallory would get the benefit of the 10-year payout period.

If one of the co-beneficiaries is an NDB, the individual beneficiaries should be advised to either pay out the NDB by the September 30 deadline or timely split the account. That would allow the individual beneficiaries to reap the benefit of the more advantageous payout rules – *the stretch IRA (if an eligible designated beneficiary) or the 10-year payout rule (if a non-eligible designated beneficiary).*

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Example 2: Denise named her adult son, DeShawn, and her favorite charity as equal beneficiaries of her IRA. Denise dies on May 15, 2020 at age 64.

If the charity is paid out its share by September 30, 2021, only DeShawn will be left as a beneficiary. This will allow him to use the 10-year payout rule without splitting the account.

However, if the charity is not paid out by September 30 and remains a beneficiary, DeShawn's payout period will be cut in half from ten years to five years.

Even though the IRS requires beneficiaries to be identified by September 30 of the year following the IRA owner's death, beneficiaries have three more months – *until December 31* – to actually split the account.

However, advisors are better off not counting on that extra time. It may take a while for the custodian to open up separate accounts, and – *especially near the end of the year* – advisors do not want to be scrambling to meet a December 31 deadline. Instead, be safe and get the split done by September 30 after the IRA owner's year of death.

Separate Accounts and EDBs

Before the SECURE Act, individual beneficiaries of IRA owners could stretch out RMDs over their lifetime. However, if there were multiple beneficiaries, each was stuck using the life expectancy of the oldest beneficiary – *the one with the shortest life expectancy*. Timely splitting the IRA account allowed the younger beneficiary (or beneficiaries) to use his own longer life expectancy, thereby maximizing the stretch.

Under the SECURE Act, most non-spouse IRA beneficiaries who inherit after December 31, 2019 can no longer use the stretch. Instead, they will be required to receive their entire IRA share by December 31 of the tenth year following the IRA owner's death. We call these individuals "non-eligible designated beneficiaries" (NEDBs).

The new law, however, does allow certain individuals, known as eligible designated beneficiaries (EDBs), to continue to use the stretch. These are:

1. Surviving spouses;
2. Minor children (until they reach the age of majority or stay in school, up to age 26);
3. Disabled individuals;
4. Chronically ill individuals; *and*
5. Individuals who are no more than 10 years younger than the deceased IRA owner.

Under the SECURE Act, most non-spouse IRA beneficiaries who inherit after December 31, 2019 can no longer use the stretch.

In many cases, every one of an IRA owner's beneficiaries will be considered a NEDB and will be subject to the 10-year payout rule. Since the stretch is no longer available, creating separate accounts to allow the younger beneficiary to use a longer life expectancy would be of no value. However, there still may be practical reasons to split the account.

Example 3: Cindy, age 28, and Penny, age 40, are the sole beneficiaries of their father, Rick's, IRA. Rick died on January 1, 2020 (the day the SECURE Act became effective).

As adult children, Cindy and Penny are both considered NEDBs. Therefore, both must take their entire share under the 10-year payout rule by December 31, 2030. For distribution purposes, there is no advantage to splitting Rick's account.

Even after the SECURE Act, however, creating separate accounts will be important if at least one of the beneficiaries is an EBD. That's the only way the EDB will be able to use the stretch IRA instead of the 10-year payout rule.

Example 4: Ellen dies on June 1, 2020 and has designated her disabled son, Michael, and her 28-year old son, Nia, as IRA beneficiaries. Under the SECURE Act, Michael is an EDB, but Nia is an NEDB.

If Ellen's account is timely split, Michael can stretch RMDs over his remaining lifetime. If it is not timely split, Michael would be required to have his entire share paid out by December 31, 2030 – *just like Nia.*

Practical Reasons for Separate Accounts

The SECURE Act has changed the role of separate accounting in post-death planning, but it has not eliminated it. For beneficiaries, splitting accounts in a timely manner after the death of the IRA owner may be less critical under the SECURE Act, because most beneficiaries are subject to the 10-year payout rule anyway.

If there is a non-living beneficiary, such as an estate or a charity, splitting accounts in a timely manner may allow a 10-year payout to a living beneficiary instead of a 5-year payout. When one of the multiple beneficiaries is an EDB, separate accounting is still necessary to preserve the stretch.

Advisors should also keep in mind there are also practical advantages for splitting accounts. Providing each beneficiary a separate IRA account allows the owner to allocate specific investments for each beneficiary rather than leaving a certain percentage to each of them. ■

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How the SECURE Act Affects Annuities in Retirement Plans

Guest Expert

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Thanks to the new Setting Every Community Up for Retirement Enhancement (SECURE) Act, annuities are likely to appear among the investment choices of more employer-sponsored retirement plans, in the coming months and years. Many clients may like the idea of trading some market-dependent defined contribution dollars for the lifetime security of cash flow that's similar to what a defined benefit plan can offer.

Nevertheless, any type of annuity will come with costs and complexity. Advisors can provide valuable help in clients' retirement planning by becoming familiar with the new rules and the products that will follow, in order to deliver individualized guidance for in-plan annuities.

Safe Harbor

Annuities may provide plan participants with lifetime income during the "golden years" of their retirement. However, fewer than 10% of employer plans offer the option of using some or all of an account balance to purchase a life annuity.

One reason, apparently, is the threat of liability. *What if the annuity issuer runs into financial difficulty in the future and fails to deliver the promised amounts?* Employers have been concerned about the potential for being sued for breach of fiduciary duties.

Responding to such fears, the SECURE Act addressed in-plan annuities. Provisions within the new law will protect employers from such liability if they select an annuity provider that, for the preceding seven years, has met these requirements:

- Has filed audited financial statements in accordance with state laws;
- Has maintained the reserves that satisfy the statutory requirements of all states where the annuity provider does business; *and*
- Has been licensed by the state insurance commissioner to offer guaranteed retirement income policies/contracts.

Essentially, these requirements will be met if the employer selects an annuity provider that is in good standing with the relevant state regulators.

Good Moves

Beyond providing employers with protection against future litigation, the SECURE Act also increases the portability of annuity investments by letting employees who are still working move their annuity to another 401(k) plan or to an IRA, or receive the annuity in-kind, without surrender charges and fees. These options are only available if the employer decides to drop the annuity as an investment option.

Insightful Information

Yet another annuity-related feature of the SECURE Act is a requirement that participants receive a reasonable estimate of what they might expect from an in-plan annuity. The SECURE Act mandates that retirement plan sponsors annually publish an estimate of what a participant would receive, per month, if the participant used their total account balance to purchase an annuity for himself or herself or for a surviving spouse as well. This disclosure not only must illustrate the monthly income the participant (or the surviving spouse) would receive from such an all-in life annuity, it also will need to include payout options, probably including single life, joint, 10-year certain, etc. The U.S. Department of Labor (DOL) will provide a model disclosure form.

Annuity companies are currently working to address the changes resulting from the SECURE Act. They're updating forms, marketing materials and additional explanatory information that eventually will be available to financial professionals as well as consumers. Thus, more annuities will soon begin to appear in employer retirement plans such as 401(k)s. The annuities may allow participants, and perhaps their spouses, to receive retirement income that lasts for 20, 30, 40 years or even more.

Thanks to the new SECURE Act, annuities are likely to appear among the investment choices of more employer-sponsored retirement plans.

Consequently, these SECURE Act features may allow employees to acquire, within their company's retirement plans, products that offer an alternative to the risk of outliving their income. In-plan annuities may deliver an insured, guaranteed, and predictable lifetime income stream. With the DOL and the Secretary of Labor involved, it's very likely that additional information will be available in the near future.

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Impact on Advisors

As previously indicated, more employers will feel confident about including annuities in their employees' retirement plans, and participants will get estimates of the future cash flow they might receive from annuitizing.

As more in-plan annuities appear, what will be the impact on advisors? It will be up to advisors to understand the specific annuities on plans' menus and decide whether clients might benefit by putting some of their retirement savings into them.

It will be up to advisors to understand the specific annuities on plans' menus and decide whether clients might benefit by putting some of their retirement savings into them.

For starters, what type of annuity is being offered? It's possible that many in-plan annuities will be basic life income annuities, which participants can purchase with some of their plan dollars. Deferred income annuities also might be available, requiring a purchase now but delivering more cash flow at a future start date.

Other potential holdings may be more complex, such as variable annuities and fixed index annuities. Such products could offer living benefits, such as a guaranteed lifetime withdrawal benefit, which might provide a sustainable lifetime income stream that cannot be outlived. These benefits might be welcomed as part of a comprehensive financial plan.

As an offset to the potential advantages of in-plan annuities, fully understanding them can be time-consuming; that probably will be a difficult endeavor for many plan participants. Therefore, advisors who put in the upfront effort may find that clients appreciate such service.

Moreover, suggesting an in-plan annuity to a client may trigger ongoing responsibilities for an advisor. I personally revisit every plan that I have put into effect for clients at least once each year – *even more often, if someone needs assistance for enrollment.*

Eye on the (Probably Near) Future

For now, advisors should make it a point to inspect the guidance that the DOL will publish. Those guidelines will help advisors make informed decisions about specific in-plan annuities.

I currently limit annuities with living benefit riders to a small portion of my clients, due to the products' illiquidity. For those clients who can handle some illiquidity, dedicating a small portion of their assets to an income stream that supports Social Security can be a good strategy. (These clients also will need a solid emergency cash fund as well as some long-term assets to hedge inflation.)

Every client is different but it's universal that each one must be provided with an astute understanding of what they are purchasing. It's doubtful that many plan participants will fully understand the features of in-plan annuities, so advisors may find that learning about them and explaining them will become an increasingly important segment of providing sound retirement plans.

Advisor Action Plan

- Inform clients of the SECURE Act's rules on annuities.
- Ask clients to inform you if annuities are added (or formerly included) to company retirement plans in which they participate.
- Determine which clients might be interested in using some retirement plan money for lifelong, but fixed-return, cash flow.
- Follow the federal government's announcements on in-plan annuities.
- For interested clients, review in-plan annuities and make buy or avoid recommendations. ■

Gayle B. Canini, MBA, BFA™, who entered the financial service industry in 1981, graduated from Lord Fairfax Community College with an Associate Degree, from Shenandoah College with a Bachelor of Business Administration Degree and from Shenandoah University with a Masters of Business Administration Degree.

Gayle was honored by the Ladenburg Institute of Women and Finance (LIWF) by receiving the inaugural Advancing Our Profession Award. She is also a mentor in the Lift mentoring program with the Ladenburg Institute of Women and Finance.

Gayle is a member of *Ed Slott's Master Elite IRA Advisor Group℠, a distinction held by only 1% of all financial advisors in the country. She is also a member of the National Association of Professional Women, the National Ethics Association, a member of Top of Virginia-Regional Chamber, Loudoun Estate Planning Council, our firm Investor Securities Group, Inc. Representative Advisory Board, and Shenandoah University's Byrd School of Business Advisory Group – which she will assume chairperson duties in August 2020. Gayle has also been a volunteer with the Shenandoah Apple Blossom Festival for the past nine years. Gayle is also a past member of the Advisory Council of Securities America, Inc. She served a 3-year term where she represented a diverse mix of business, geographic region, and experience in the financial services industry.

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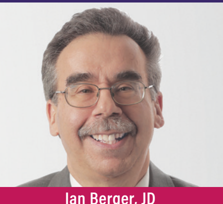

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2020 Retirement Plan Contribution Limits

Phase-Out Ranges for IRA Deductibility

This chart is only for those who are covered by a company retirement plan.

Year	Married/Joint	Single or Head of Household
2018	101,000 - 121,000	63,000 - 73,000
2019	103,000 - 123,000	64,000 - 74,000
2020	104,000 - 124,000	65,000 - 75,000

If not covered by a company plan but the spouse is, the phase-out range for 2019 is $193,000 - $203,000 and for 2020 is $196,000 - $206,000. If filing married-separate, the phase-out range is $0- $10,000

IRA and Roth IRA Contribution Limits

Year	Maximum Contribution	Catch-Up Contribution*	Total Contribution w/Catch-Up
2018	5,500	1,000	6,500
2019	6,000	1,000	7,000
2020	6,000	1,000	7,000

A 2019 IRA or Roth IRA contribution can be made up to the tax filing due date, April 15, 2020. There is no extension beyond that date, regardless of whether an extension is filed for the tax return.

*Those who are 50 or older by year end can contribute an additional $1,000.

Roth IRA Phase-Out Limits for Contributions

Year	Married/Joint	Single or Head of Household
2018	189,000 - 199,000	120,000 - 135,000
2019	193,000 - 203,000	122,000 - 137,000
2020	196,000 - 206,000	124,000 - 139,000

If filing married-separate, the phase-out range is $0- $10,000.

Employee Salary Deferral Limits for 401(k)s & 403(b)s

Year	Maximum Contribution	Catch-Up Contribution*	Total Contribution w/Catch-Up
2019	19,000	6,000	25,000
2020	19,500	6,500	26,000

Limits are per person; **not** per plan.
*Those who are 50 or older at year end can contribute an additional $6,500. The catch-up contributions are also eligible for employer matching contributions if allowed by the plan.

SEP IRA Contribution Limits
(Simplified Employee Pensions)

2019 The SEP limit for 2019 is 25% of up to $280,000 of compensation, limited to a maximum annual contribution of $56,000. This limit also applies to Keoghs and profit-sharing plans.

2020 The SEP limit for 2020 is 25% of up to $285,000 of compensation, limited to a maximum annual contribution of $57,000. This limit also applies to Keoghs and profit-sharing plans.

Catch-up contributions do not apply to SEP IRAs. They still apply to old SARSEPs in effect before 1997. No new SARSEPs were allowed after 1996.

SEP contributions can be made up to the due date of the tax return, including extensions. For example, a 2019 SEP contribution can be made up to April 15, 2020 or up to October 15, 2020 if a valid extension has been filed.

SIMPLE IRA Contribution Limits
Contribution Limits for Salary Deferrals

Year	Maximum Contribution	Catch-Up Contribution*	Total Contribution w/Catch-Up
2019	13,000	3,000	16,000
2020	13,500	3,000	16,500

*Those who are 50 or older by year end can contribute an additional $3,000. The catch-up contributions are also eligible for employer matching contributions if allowed by the plan.

Qualifying Longevity Annuity Contracts (QLACs)

For 2020, retirement account owners can purchase a QLAC with the lesser of 25% of their retirement funds or **$135,000**. The 25% limit is applied to each employer plan separately, but in aggregate to IRAs.

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