



ADVANCED MARKETS MATTERS

SECURE Scope
Get to Know SECURE 2.0 (Part III)

SECURE 2.0 became law on December 29, 2022. This edition highlights three enhanced opportunities for helping clients under it. Expanded planning possibilities extend beyond simply contributing more to qualified plans and IRAs. Make the most of these retirement strategy conversation starters.

QCDs: A New Way to Give

In addition to allowing up to a \$100,000 QCD (qualified charitable distribution) each year, for tax years beginning after 2022, Section 307 provides a one-time election to donate as much as \$50,000 to a charitable remainder trust (CRT) or charitable gift annuity. Such a donation will be treated as a QCD and excluded from income to the extent the contribution would otherwise be deductible as a charitable deduction.

Still, \$50,000 just isn't enough to merit establishing a CRT. Charitable gift annuities may be a better choice for interested clients.

A charitable gift annuity isn't a commercial annuity. Rather, it's a private agreement—a contractual obligation undertaken by a charity to pay an annuity to an individual in return for an amount transferred by the individual.

Because a charity may want to reinsure its commitment to the donor, issuers of products distributed by Lafayette Life Insurance Company do allow charities to own their annuities. Funds are accepted from the charity after the agreement for the charitable gift annuity is completed.

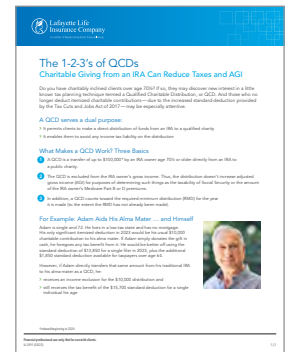
RMDs: IRA-SPIA Payments Now Count

Effective after 2022, Section 204 permits payments from annuitized IRA funds to be aggregated with payments from non-annuitized IRA funds to meet RMD requirements. It directs the U.S. Treasury to amend the RMD regulations accordingly.

The value of any annuitized IRA contracts is added to the prior year's account balance of all non-annuitized IRAs to calculate the RMD. Then the annuitized payments can be added to the RMDs taken from the non-annuitized accounts.

For Example. Jason, who is 75 in 2023, had an account balance of \$738,000 on 12/31/22. He also has an IRA-SPIA that pays \$2,000 a month (\$24,000 annually).

- Pre-SECURE 2.0, Jason would have had an RMD of \$30,000 (\$738,000/24.9) from the non-annuitized funds plus the \$24,000 IRA-SPIA payments for a total RMD of \$54,000.
Post-SECURE 2.0, he can add together the account values in calculating a "total required amount" and then from that total subtract the annuity payments. Adding \$286,30021 to the non-annuitized value of \$738,000 equals \$1,024,300. Dividing by 24.9 gives a total required amount of \$41,368. Subtracting \$24,000 (the annuity payments) from that amount means Jason must take only \$17,368 from his non-annuitized funds.



The 1-2-3's of QCDs
LL-3591

SOSEPP Exception: Certain Moves Permitted

Section 323 clarifies that the series-of-substantially-equal-periodic-payments (SOSEPP) exception continues to apply for transfers, rollovers and exchanges after 2023, provided the amount of the payments (whether from one or more accounts) remains the same.

Some previous IRS rulings treated such moves as modifications. That in turn led advisors to caution clients against them. The result was unfortunate. The transfer, rollover and exchange rules in fact generally were put in place to allow individuals to change their investments—without current taxation. Now, if it makes sense for a qualified account or annuity subject to a SOSEPP exception to be transferred or rolled over—or for such a nonqualified annuity to be exchanged—for any number of reasons, clients may choose to do so.

Make Your Next Steps SECURE Steps

SECURE 2.0's many changes provide compelling reasons to reach out to clients to discuss relevant changes and related opportunities. Plus openings to revisit or discuss other effective strategies, such as nonqualified stretches, wealth transfers of qualified funds and entity-owned contracts.

Parts I and II of Get to Know SECURE 2.0 highlight certain changes taking effect now and later. Request your copies today.

¹ Based on purchase price of new SPIA at current age paying same amount.

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