ARE YOU READY FOR THE SON OF SECURE?

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By Sarah Brenner, JD
Director of Retirement Education
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On May 5, the House Ways and Means Committee unanimously passed the Securing a Strong Retirement Act of 2021. According to lawmakers, the proposal is designed to pick up where the SECURE Act of 2019 left off and help increase retirement savings even more. The so-called "Son of SECURE" would make more big changes to retirement accounts. Here are some highlights:

"Rothification"

The trend toward more Roth accounts continues as Congress is proposing allowing both SIMPLE and SEP Roth IRAs. In addition, plan catch-up contributions would be required to be made to Roth plan accounts, and plans could allow participants to have employer matching contributions made as Roth contributions. Congress likes Roths because they bring in immediate revenue since they are funded with after-tax dollars.

Other Changes

Other changes include the following:

- Increasing the required first-year required minimum distribution (RMD) age over time from age 72 to age 75.

- Indexing $1,000 IRA catch up contributions for inflation.

- Increasing the limit on catch-up contributions to 401(k) and other plans for individuals who have attained age 62, 63, or 64.

- Allowing matching contributions on student loan payments.
- Eliminating the requirement that premiums for QLACs be limited to 25% of an individual's account balance.
- Reducing the penalty for failure to take RMDs from 50% of the shortfall to 25%.
- Expanding the IRS self-correction program (EPCRS) to include IRAs.
- Indexing the $100,000 QCD limit for inflation and allowing a once-in-a-lifetime QCD to a split-interest entity such as a charitable remainder unitrust.
- Expanding the age 50 exception to the 10% early distribution penalty to private-sector firefighters.
- Changing the rules for when the statute of limitations begins for the excise tax on excess IRA contributions.
- Limiting the repayment of qualified birth or adoption distributions to three years.
- Allowing penalty-free withdrawals from IRAs and retirement plans for individuals in cases of domestic abuse.
- Limiting the loss of tax-deferred treatment to the portion of an IRA t involved in a prohibited transaction.

Stay Tuned

While the "Son of SECURE" does enjoy wide bipartisan support, there is still a long road ahead before this proposal could become a law. The next step would be a vote of the full House. Then the Senate would need to take up the proposal. If there are any differences between the House bill and the Senate bill, those would have to be resolved and approved. Finally, the President would have to sign the bill into law. That process can take time and is far from certain. One thing that you can count on though is that we at the Slott Report will be watching developments in Washington DC closely and will keep you up-to-date on all breaking news.