

THE CARTER CENTER



The Carter Center Presents: *SECURE Act 2.0 – Understanding the Tax Changes to Your Retirement Plans*

Hosted By: Barry Nickelsberg, CAP, Chief Development Officer for Estate & Gift Planning
&

Mark N. Williams, Esq., CAP, Senior Associate Director

Thank You

Our work together continues to improve the lives of millions of people, and we cannot thank you enough for your ongoing support.

THE
CARTER CENTER



Thank You for Your Trust

We would also like to express our gratitude for allowing us to serve as your resource; it is a privilege to be trusted to provide you with information about these important topics.



DISCLAIMER

The information contained in this presentation and these materials are for educational purposes only and should not be considered financial or legal advice. Any information covered should be discussed with your own estate planning attorney to determine its suitability for your specific situation. The Carter Center is not involved in the practice of law and does not provide legal advice. Mark Williams is an attorney, but he is not your attorney and is not providing you with legal advice; no relationship (attorney/client or otherwise) is created by this educational webinar. By viewing this webinar, you agree to the above.



SECURE ACT 2.0

Overview

- What is the SECURE Act 2.0?
- Required Minimum Distribution Ages
- New Retirement Account Contribution Limits
- Historic Opportunity for Philanthropic Savers



What is the SECURE Act 2.0?

- Confusion from the Start!
- Actual Name: “the Consolidated Appropriations Act, 2023”
- Parts of the Enhancing Retirement Now (EARN) Act and a competing but similar senate bill were incorporated, creating what is generally called “SECURE 2.0”



What is the SECURE Act 2.0?

- Signed December 29, 2022, and Effective January 1, 2023
- Encourages Additional Saving
- Removes and Reduces Some Penalties on Retirement Savings
- Improves Options for Supporting Charities



What is the SECURE Act 2.0?

- Builds on the “Setting Every Community Up for Retirement Enhancement” (SECURE) Act
- Signed December 20, 2019, Effective January 1, 2020
- Increased Age Before Required Minimum Distributions to 72
- Requires IRA heirs to withdraw money in only 10 years in most cases
- [View Webinar on SECURE Act by Clicking Here](#)



Individual Retirement Account Basics

- The law requires people with Individual Retirement Accounts (IRAs) to begin withdrawing money at a certain age; “Required Minimum Distribution” (RMD)

Example IRA Distribution Rules:

- A 73-year-old retiree has a \$500,000 IRA; life expectancy for IRS is 16.4 years
- Required Minimum Distribution in the first year is $\$500,000 \div 16.4 = \$30,488$
- Large penalty of that amount for failure to take the Required Minimum Distribution



Updated Ages for Required Distributions

- SECURE 2.0 has new rules for when people must begin taking out retirement funds with Required Minimum Distributions
 - If you turned 72 in 2022 (or before) you must continue taking your RMD
 - If you will be 72 in 2023 you do NOT have to take RMD
 - As of Jan. 1, 2023, the Age increases to 73
 - It will increase to 75 in 2033



Encouraging Additional Savings

- **SECURE 2.0** Changed Several Important Retirement Account Rules
- In 2022, people could put limited amounts of money into their retirement accounts
 - IRAs = \$6,000/yr. (+ \$1,000 if age 50+)
 - Employer Plans = \$20,500 (+ \$7,500 if age 50+)



Encouraging Additional Savings

- After Jan. 1, “catch up payments” allowed into retirement accounts increased and will be indexed for inflation
 - IRAs = \$6,500/yr. (+ \$1,000 catch up if age 50+)
 - In 2024, the IRA contribution limits and catch up will be indexed for inflation and should move higher



Encouraging Additional Savings

- 2023 contribution limits and catch up payments for people with Employer Plans:
 - Limit = \$22,500 (+ \$7,500 catch up if age 50+)
 - Contribution limits and catch up indexed for inflation in 2025



Encouraging Additional Savings

- Beginning 2025, there are special rules for people aged 60-63
 - Employer Plans = \$10,000 catch up if age 60-63



Encouraging Additional Savings

- **SECURE 2.0 Adds a Catch for Certain People**
 - If you earn more than \$145,000/yr., all of your catch-up payments must be made to a Roth IRA



Roth Retirement Accounts

- With a Roth IRA, You pre-pay taxes on the money you invest, and no matter how much the money has grown, no taxes are due on the money you take out
- This can be a helpful planning tool for directing funds to loved ones since they don't pay tax on the money



Reduced Penalties

- In addition to later mandatory withdrawal dates/ages, in 2023:
- The Penalty for failing to take a RMD is reduced: 50% to 25%



Reduced Penalties

- The Penalty is reduced to just 10% if the person corrects the situation by withdrawing the money and filing an amended tax return within two years of failing to take a withdrawal



Qualified Charitable Distributions

- Prior law allowed those who must take an annual Required Minimum Distribution (or those aged 70 & 6 months +) to direct the funds, up to \$100,000/yr., to a charity
- The IRA funds are given to charity before being taxed as income to you



Qualified Charitable Distributions

- Not much changed:
- At age 70 and 6 months, people can begin giving IRA funds to charity
- When giving the money to charity, there is no deduction, but you pay no taxes on the money (a very effective tool)



Qualified Charitable Distributions

- The \$100,000/yr. limit will be indexed for inflation in 2023
- You don't have to itemize your income tax return to benefit
- So what has changed?



Historic Opportunity for Philanthropic Savers

- Beginning in 2023, people aged 70 and 6 months can use up to \$50,000 (\$100,000 per couple filing joint taxes) of IRA funds to create a Charitable Gift Annuity



Using Your Retirement Account to Create a Gift Annuity

- Charitable Gift Annuities are a great way to make a gift to charity and receive a lifetime income, too
- In exchange for a lump sum from your IRA, The Carter Center will pay you (and/or your spouse) an income for life
- The retirement plan funds must be transferred directly to the charity



Using Your Retirement Account to Create a Gift Annuity

- Charitable Gift Annuities (CGA) offer a guaranteed rate of return and steady, predictable payments that you cannot outlive



Using Your Retirement Account to Create a Gift Annuity

- In today's low-interest-rate environment, Charitable Gift Annuities offer returns that are between *5 – 8%, which is higher than most Certificates of Deposit (CD)
 - *SECURE 2.0 requires that the CGA pay a minimum of 5%
- Charitable Gift Annuity rates are set by the American Council on Gift Annuities



Using Your Retirement Account to Create a Gift Annuity

- These Charitable Gift Annuities can only be funded with money from your retirement account
- The Annuity must begin paying within one year of creation
- The Annuity can be for the individual and/or spouse only, no other loved ones



Using Your Retirement Account to Create a Gift Annuity

- These Charitable Gift Annuities can only be established in a single tax year
- For example, if you only establish one annuity for \$15,000 in 2023, you would not be able to use the other \$35,000 in later years
- The \$50,000 (\$100,000 for joint tax filers) is indexed for inflation in 2024



Using Your Retirement Account to Create a Gift Annuity

- Charitable Gift Annuities can be the key to expanding partnerships with your favorite organizations
- Charitable Gift Annuities are backed by the organization that issues them, and, like insurance or commercial annuities, it is important to select only organizations with the financial resources and right management to ensure that your payments continue
- Charitable Gift Annuities are regulated under state law, and not all charities offer these unique planning tools



Thank You!

Questions?



THE
CARTER CENTER



BARRY NICKELSBURG, CAP
Chief Development Officer

ESTATE & GIFT PLANNING

453 Freedom Parkway
Atlanta, GA 30307 USA
Tel (404) 420-3868
Fax (404) 420-3453
barry.nickelsberg@cartercenter.org
www.cartercenter.org

THE
CARTER CENTER



MARK WILLIAMS, ESQ., CAP
Associate Director

ESTATE & GIFT PLANNING

453 Freedom Parkway
Atlanta, GA 30307 USA
Tel (404) 420-3883
Fax (404) 420-3453
mark.williams@cartercenter.org
www.cartercenter.org

THE
CARTER CENTER

