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Dace Blaskovitz: Welcome back to Money and Politics in Delaware. Welcome back, Bill Kane.

Bill Kane: Dace, always a pleasure to come back and talk to you and your listeners.

Dace Blaskovitz: Bill Kane and I have been together on the air probably 40 years through TV and radio. He's, I giggle and I call him my most frequent flyer. Personal relationship, business relationship, Bill Kane is a local Delaware based CPA headquartered in Newark, Delaware. It's Dingle and Kane. And Bill is going to talk about a headline. The Secure Act signed into law in the waning hours of 2019 contains the most significant changes to retirement account planning in more than a decade. Employer sponsored retirement plans and individual retirement savers both will be effected in the year 2020. If you had to be cute about it, your upcoming CPA visit now includes a dialogue about Secure. Bill Kane, that kind of teases the segment, but we always give first time listeners 30 seconds about you, 30 seconds about your business.

Bill Kane: Well, Dace, as you said, I am a frequent flyer here, so most of your listeners have already heard my spiel about myself and Dingle and Kane and our type of clients. But let me tell you more about the staff we have. We currently employ about 16 total staff, 11 accountants and 5 administrative. They are what makes Dingle and Kane work. The accountants have experienced totalling more than 200 years providing tax and accounting services. We've been located here in Newark for over 30 years and several of our staff have actually been with us more than 25 years. One has been with us since inception. We have a real stable group of professionals who have worked with many of our clients and many of those clients have been with us since inception. So we're always looking for new business and we'd love to hear from you.

Dace Blaskovitz: You ready to go?

Bill Kane: All set.

Dace Blaskovitz: Yeah. All right. I kind of tease Secure but it's big news and the world or retirement planning. It's your turn. What are we talking about?

Bill Kane: Well, yes, as you said, the President recently signed into law the Secure Act. I believe it was on December 23rd. The actual name for political purposes is the Setting Every Community Up For Retirement Enhancement Act of 2019. Does that make you real excited about what Congress is doing for you down there in Washington?

Dace Blaskovitz: Oh, absolutely. But this is truly an overhaul. I mean, this is going to touch gosh, two-thirds, half of your book of business. So let me tee it up for you. What are the important changes enacted as part of the Secure Act?

Bill Kane: Well, I'm going to give you a list and I'm going to tell you to stop me at any time and we'll talk more about each of them as we go or we can wait till the end and I'll go back through them. The first one is the required minimum distribution age for retirement accounts was increased from 70 and a half to 72. Second is the IRA contributions are now allowed for all years to the taxpayers working. Previously they were limited once you reached age 70 and a half. Here's a really big one. The inherited stretch IRA distributions are now limited to 10 years as opposed to the life expectancy of the beneficiary. That's going to impact many, many people. They've added some exceptions to the penalty for early withdrawals from retirement accounts for childbirth and adoption costs. They've expanded access to allowable IRA contributions for graduate students and care providers. They allow 401k plans to offer annuities within the plan. That's a big deal.

Bill Kane: The act makes it easier for small businesses to band together to offer multiple employer plans. That looks like one that will impact a lot of clients, but I have some caveats about that later on. Part time workers with a thousand hours within a year or if they have three consecutive years with 500 hours of service, there'll be able to participate in employer plans now. Previously, they were normally excluded. Employers could be eligible for tax credits to offset the cost of starting a 401k plan. There's a provision in the new law that that enhances the auto enrollment of employees into 401k plans, and there's also some restrictions there. You can borrow against your 401k plan, but there've been some minor restrictions based on that.

Bill Kane: And lastly, the Secure Act expands the use of 529 plan disbursements so that you can use those to pay for your student loans, which you couldn't in the past and also the cost of apprenticeship programs.

Dace Blaskovitz: All right, I do have some followup questions.

Bill Kane: Sure.

Dace Blaskovitz: But let's keep this thing moving. Let's go item by item and drill a little bit deeper. Give us something more in depth on each one.

Bill Kane: Sure. Well, as I said, the first one is the change in the minimum distribution age and this increase in the age for required minimum distribution makes sense. Many of our employees are working longer. In addition, life expectancy really has substantially increased since these rules were put in place. So the longer you can delay those distributions and get tax deferred, or tax free appreciation if you're using a Roth, the more likely you won't run out of money in retirement. So I think this is a really important change.

Dace Blaskovitz: All right. The second one is a key one for me, and I'll share why, but to tee it up it's the IRA contributions are allowed for all years to taxpayers working. It's your story, tell it.

Bill Kane: Well, again, many employees, including my partner here at Dingo and Kane or working into their seventies. I mean, it makes sense, they should be allowed to continue making IRA contributions. Again, this is really designed to make it less likely that they're going to exhaust their retirement funds. So the longer they can contribute, the more money they can get into the plan the more tax deferred appreciation. Hopefully, their retirement funds will not be exhausted before they ultimately pass away.

Dace Blaskovitz: But to play fair, picking on, in a positive way, would have smiled, Fred, your partner, Fred Dingle, okay, so he takes a distribution out, but then he makes a contribution in, is that how the games being played now?

Bill Kane: After the age of 72, that's absolutely correct. He would be required to make a distribution at the age of, once he reaches 72, but as long as he's working he could continue to make a contribution to the plan.

Dace Blaskovitz: All right, let's push on. Tick tock on that clock. The stretch IRA is the headline. You tell your story and I'll come back at you.

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Bill Kane: Well, the stretch IRA rules is a major, major change. I think this is going to probably impact as many if not more than all the other provisions. The current rule allows an individual who an inherits an IRA to disperse those funds over their life expectancy and kind of defer the tax over a long period. An example is, if you're 50 years old and you inherit an IRA from your parent, you could withdraw those funds over approximately 30 years, a little more, but that period now is 10 years. Okay, so again, you're losing a 20 year deferral on this. The distribution in this case doesn't have to be made on an annual basis. It can be made at any time during that 10 year period, but 100% of the IRA must be distributed within that 10 year period. This'll substantially reduce the tax deferral. There are some special rules for minors or the disabled or the chronically ill or beneficiaries who are less than 10 years younger than the deceased IRA owner. But a dramatic change and will have a dramatic impact on many of my clients.

Dace Blaskovitz: Oh, absolutely. And the key there, in my opinion, and it's what the Wall Street Journal went cuckoo crazy six, nine months ago when this thing got floated, this meaning Secure, was that you're going back after the fact and changing the rules, and if you can change the rules on this one, you can change the rules on everyone.

Bill Kane: Absolutely.

Dace Blaskovitz: Anything, anything, that's the horror though. The potential horror story is that the first time we have any kind of pullback recession is, "Oh, okay. You did it under a Republican administration." Here we go.

Bill Kane: Yeah. And one of the areas that people were talking about in that vein is the Roth IRA.

Dace Blaskovitz: Exactly.

Bill Kane: Can they go back and change the rules on the Roth IRA? Because so many people have availed themselves of that. And I think that's a valid consideration.

Dace Blaskovitz: I've got to interrupt. His name is Bill Kane, as I've disclosed, personal friend. We've been talking about the Secure Act, you're going to talk about it with your upcoming visit to your CPA. Bill Kane, get your pencils handy is 302-731-5200.