



New Distribution Options Post-SECURE ACT

March 2020



The **SECURE Act** was signed into law in December 2019 and made many changes that may affect your retirement plans.

This is the **second article** in a series to address the changes to retirement plans under the SECURE Act. This article explains some new distribution options that are available for retirement plans beginning in 2020.

Birth or Adoption Assistance

The SECURE Act added a new in-service distribution option for defined contribution plans (e.g., profit sharing plans or 401(k) plans). This provision allows participants to withdrawal up to \$5,000 within one year after the birth or adoption of a child. This distribution will not be subject to the 10% early withdrawal penalty but will be subject to income taxes. The withdrawal will not be eligible for rollover, but can be repaid to the plan, and will be treated as a rollover to the plan. There are still some technical issues that the IRS must resolve on repayment and tax reporting. This change is optional.

Disaster Relief Distributions and Loans

The SECURE Act added a new in-service distribution or loan up to \$100,000 (i.e., twice the normal loan limit) for expenses related to FEMA disasters which occurred from January 1, 2018 to February 18, 2020. However, the distribution must be taken by June 17, 2020. The distribution or loan will be initially exempt from income taxes and will be exempt from the 10% early withdrawal penalty. A distribution can be repaid to the plan over a 3-year period. If it is not repaid, then the amount becomes subject to income tax over a 3-year period. A loan can be repaid over a longer period and the repayments can be delayed for one year. This change is optional.

In-Service at Age 59½

This change is not technically part of the SECURE Act, but part of another Act passed by Congress. Prior to the new Act, defined benefit plans and governmental 457(b) plans could not allow in-services distributions prior to age 62. Now these plans can be amended to allow in-services distributions on or after age 59½. This change is optional.

Generally, amendments under the Secure Act do not need to be adopted until 2022:

however, the amendments for the age 59½ and Disaster Relief need to be adopted earlier. If you are considering using either of these new distribution options, please contact Stanley Benefits as soon as possible.

If you have questions or would like to make changes to your plan, please contact your Analyst at [336.271.4450](tel:336.271.4450) or recordkeeping@stanleybenefits.com.

OUR MISSION

We will make every interaction a positive experience

Sincerely,
The Team at Stanley Benefit Services, Inc.

Contact us to learn about our
HSA, FSA, COBRA and 401(k) Services!

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