AIG Annuities

SECURE Act

New Legislation Affects Retirement Accounts

Summary and Q&A

Legislation known as the Setting Every Community Up for Retirement Enhancement Act (SECURE Act) became law in late December 2019 as part of a broader federal package. The SECURE Act is aimed at helping Americans increase their retirement savings through a variety of provisions affecting qualified plans, some of which impact people who have purchased or intend to purchase an annuity in a traditional or Roth Individual Retirement Account (IRA). The following brief summaries, each with a Q&A, address questions that owners or prospective buyers of annuities within an IRA might have. (The SECURE Act does not impact non-qualified annuities.)

Required Minimum Distribution (RMD) Age Increase

The SECURE Act increases the age at which an individual is generally required to begin taking RMDs from their employer-sponsored retirement plan and/or traditional IRA, from age 70½ to 72. This change applies to individuals born after June 30, 1949.

Q: *I turned 70½ in 2019 and took my RMD, but won't be 72 until 2021. Do I need to take an RMD in 2020?*

A: Yes. If you were required to take an RMD for 2019, you are required to take an RMD for 2020 and each year thereafter.

Q: *I reached age 70 in 2019, but won't reach age 70½ until 2020. When will I be required to start RMDs?*

A: Your first RMD will need be taken for the year in which you reach age 72. Note: Your first RMD may be taken as late as April 1 of the year *following* the year in which you reach age 72.

Traditional IRA Contributions

Beginning in 2020, the SECURE Act allows individuals age 70½ or older with earned income to make regular contributions to a traditional IRA, subject to standard IRA contribution requirements.

Q: *I already turned 70½ and am still working. Can I make a contribution to a traditional IRA for the 2019 tax year as long as I do so before the tax filing deadline in April 2020?*

A: No. The new provision applies for tax years after 2019.

Q: *I already turned 70½ and am still working. Can I make a contribution to a traditional IRA in 2020?*

A: Yes you can, as long as you have earned income equal to or greater than the amount you wish to contribute to your traditional IRA (subject to a maximum contribution of $7,000 in 2020).

Q: *Do the "spousal contribution" rules still apply?*

A: Yes. If you have earned income, but your spouse does not, you can make a contribution to your non-working spouse's traditional IRA on his/her behalf, even if your spouse is age 70½ or older.

Beneficiary Death Claim Options

For individuals with a qualified account and/or IRA who die after 2019, the settlement options available to beneficiary(s) upon the account holder's death have been revised. Under the SECURE Act:

- Generally, designated beneficiaries (natural persons or agents acting on behalf of natural persons) will be required to liquidate the qualified account and/or IRA in full no later than December 31 of the year containing the 10th anniversary of the deceased's death ("the 10-year rule"); annual distributions are not required.

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- Eligible designated beneficiaries may alternatively elect to receive annual distributions over their life expectancy. Eligible designated beneficiaries are:
  - Spouse of the deceased
  - Minor child of the deceased (until the minor attains the age of majority, after which the 10-year rule applies)
  - Disabled and chronically ill individuals
  - Beneficiaries not more than 10 years younger than the deceased

Q: *Do the provisions described above apply to beneficiaries of an account holder who died prior to 2020?*
A: No. The provisions of the SECURE Act only apply to beneficiaries of account holders who die after 2019.

Q: *If a beneficiary of an individual who died prior to 2020 previously elected to take distributions over his/her life expectancy, may they continue doing so?*
A: Yes. However, if the beneficiary does not fully liquidate the account during his/her life expectancy, upon their death the beneficiary's beneficiary will be subject to the 10-year rule.

Q: *If my spouse pre-deceases me, can I roll over his/her qualified account and/or IRA into my own IRA?*
A: Yes. The SECURE Act does not change your ability to roll over your spouse's qualified account or IRA into an IRA you hold in your name.

Q: *If you are widowed and elect to take distributions from your late spouse's qualified account or IRA over your life expectancy, can you still elect to roll over those assets into your own IRA at some future date?*
A: Yes. The SECURE Act does not change your ability to initially elect distributions over your life expectancy and subsequently elect to treat those assets as your own.

Q: *I've named a trust as the beneficiary of my qualified account and/or IRA. Does the SECURE Act affect the options available to the trust upon my death?*
A: It may. You should consult with your tax or legal advisor to determine what effect, if any, the SECURE Act may have on the options available to the trust you've designated as the beneficiary.

Q: *Do the provisions of the SECURE Act have any impact on the settlement options available to beneficiaries of a non-qualified annuity?*
A: No. The SECURE Act does not change the settlement options available to beneficiaries of non-qualified annuities.

Penalty-Free Distributions for Birth or Adoption

For a one-year period after the qualified birth or adoption of a new child, the SECURE Act permits parents to withdraw up to $5,000 from their qualified account or IRA without incurring the 10% premature distribution penalty. Those funds are generally permitted to be repaid into a qualified account or IRA.

Q: *Will distributions from a qualified plan or IRA for the qualified birth or adoption of a child be taxable?*
A: Generally, yes. This provision only provides a waiver of the premature distribution penalty.

Q: *After the birth or adoption of our child, can both my spouse and I each withdraw $5,000 from our qualified account or IRA without incurring the 10% premature distribution penalty?*
A: Yes.

Q: *Our child was born or adopted in 2019. Can my spouse and I avail ourselves of this provision?*
A: Yes, as long as the distribution occurs within one year of the qualified birth or adoption.

Annuities are issued by American General Life Insurance Company (AGL), Houston, TX, except in New York, where they are issued by The United States Life Insurance Company in the City of New York (US Life). The Elite line of annuities is issued by The Variable Annuity Life Insurance Company (VALIC), Houston, TX, in all states except New York. All products may not be available in all states and may vary by state. Variable annuities are distributed by AIG Capital Services, Inc (ACS), member FINRA. AGL, US Life, VALIC and ACS are members of American International Group, Inc. (AIG). All contract and optional benefit guarantees are backed by the claims-paying ability of the issuing insurance company and are not the obligation or responsibility of AIG. AGL, US Life, and VALIC are not authorized to give legal, tax or accounting advice. Please consult your attorney, accountant or tax advisor on specific points of interest.

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