



NAPLES GLOBAL ADVISORS

Tax Insights for 2024 – Secure Act 2.0 Phase-Ins

Secure Act 2.0 ushered in a myriad of new tax considerations. Even though the new regulations will not have a significant planning impact for most, a handful of the 2024 phase-ins may be important for specific client financial circumstances.

Expands Spousal Options for Inherited Retirement Accounts

Permits the surviving spouse (if he/she is the sole designated IRA beneficiary) to treat themselves as the deceased spouse for RMD purposes:

- Expands the options for surviving spouses to either treat the account as their own, roll it over into their pre-existing IRA, remain a beneficiary but with special treatment, or now be treated as the deceased spouse
- Spouses inheriting an IRA from a younger spouse may delay RMDs until the decedent's required beginning date and use the Uniform Life Table instead of Single Life Table to calculate RMDs
- If the inheriting spouse then passes away prior to RMDs commencing, beneficiaries are treated as original beneficiaries and can stretch RMDs over their lifetime
- **Impact:** Offers flexibility to optimize the transition of retirement assets to a surviving spouse

Increases Qualified Charitable Distributions from IRAs

Qualified Charitable Distributions (QCDs) will index for inflation starting in 2024:

- QCD tax benefits are available to those age 70.5 and older
- The maximum eligible amount for a QCD rises to \$105,000 in 2024 from \$100,000
- Similarly, the one-time opportunity to use a QCD to fund \$50,000 into a split interest entity like a Charitable Remainder Unit Trust (CRUT), Charitable Remainder Annuity Trust (CRAT), or Charitable Gift Annuity (CGA) increases to \$53,000 in 2024
- **Impact:** Affords the charitably inclined the ability to increase IRA QCD amounts over time in line with inflation

Allows Unused 529 Plan Balance Rollovers to Roth IRAs

Conditions that must be met:

- The 529 plan must have been maintained for 15 years or more
- The Roth IRA receiving the funds must be in the name of the 529 plan beneficiary
- The rollover amount cannot include funds contributed to the 529 plan less than five years before the rollover
- The annual limit for transfers is the IRA contribution limit less any traditional IRA or Roth IRA contributions made for the year (e.g. In 2024, clients may transfer/ contribute up to \$7,000)
- Rollovers limited to a lifetime maximum of \$35,000 per beneficiary
- **Impact:** Provides beneficiaries access to the valuable benefits of a Roth IRA and to some degree, lessens the worry of overfunding a 529 plan

