MassMutual Ascend
Life Insurance Company

Understanding SECURE Act and SECURE 2.0 Act

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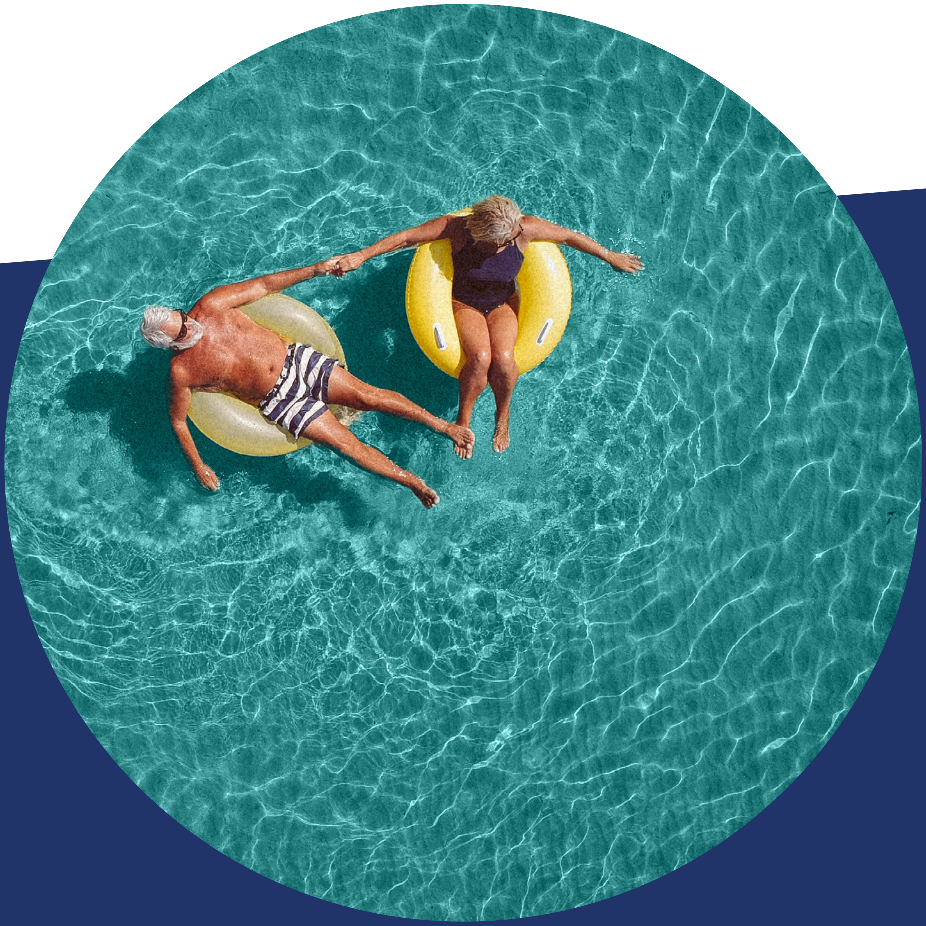
Background

In December 2019, Congress passed the Setting Every Community Up for Retirement Enhancement (SECURE) Act. It made significant changes to the Required Minimum Distribution (RMD) rules applicable to beneficiaries.

SECURE 2.0 Act, passed in December 2022, includes reforms that expand retirement coverage and savings. It also makes changes to:

- Individual retirement accounts (IRAs)
- Defined contribution (DC) plans
- Defined benefit (DB) plans
- 529 plans



Inherited IRAs

SECURE Act (2019) eliminated "lifetime stretch" for most beneficiaries of individual retirement plans (IRAs) and qualified employer retirement plans. This rule generally requires that the beneficiary withdraw the entire inherited retirement account within 10 years. There are exceptions to the 10-year rule that apply to "eligible designated beneficiaries" as defined below.

Eligible Designated Beneficiaries:

Some beneficiaries, called Eligible Designated Beneficiaries are exempt from the 10-year rule. This exemption includes:

- A surviving spouse
- A disabled or chronically ill person (as defined under the applicable sections of the Internal Revenue Code)
- A child of the deceased owner who hasn't reached the age of maturity
- A person not more than 10 years younger than the deceased owner

To be exempt from the 10-year rule, an Eligible Designated Beneficiary will need to take annual required minimum distributions (RMDs) based on their own life expectancy. Those RMDs must begin no later than December 31 of the year after the original account owner's death.

However, if the deceased owner was of RMD age and failed to take the required amount for the year of death, the beneficiary must also take the deceased owner's RMD by December 31 of that year.

In the case of an Eligible Beneficiary who is a minor child of the deceased owner, in addition to annual RMDs based on the child's life expectancy, the remaining balance must be paid out in full by the end of the year the child reaches age 31.

SECURE Act (2019) requires most non-spouse beneficiaries who inherit retirement assets on or after January 1, 2020 to withdraw the full account balance within 10 years. In addition, regulations effective in 2025 clarify that if the deceased owner died on or after the RMD Required Beginning Date, annual RMDs over life expectancy must also be made.

	Eligible Designated Beneficiary	Designated Beneficiary	Non-Designated Beneficiary
Death Before RMD Required Beginning Date	**Choice between:** • Annual RMDs based on Beneficiary's Life Expectancy • 10-Year Rule (No Annual RMDs)	10-Year Rule (No Annual RMDs)	5-Year Rule (No Annual RMDs)
Death After RMD Required Beginning Date	Annual RMDs based on Beneficiary's Life Expectancy (or Deceased Owner's, if longer)	Annual RMDs based on Beneficiary's Life Expectancy and the 10-Year Rule	Annual RMDs based on Deceased Owner's Life Expectancy

Source: www.bit.ly/3rmmYbl

Designated Beneficiaries: Individuals and certain types of trusts that are directly entitled to a death benefit under the IRA of employer plan.

Non-Designated Beneficiaries: Estates, charities, and certain types of trusts (even if designated as a beneficiary under the IRA or employer plan).

Inherited IRA Distributions

The distribution requirements are dependent on the deceased IRA owner's age and the type of beneficiary (eligible or non-eligible).

Distribution Strategies:

Traditional IRA: The shorter (10-year) distribution period could result in unanticipated and and potentially large tax bills for beneficiaries who are not Eligible Designated Beneficiaries who inherit high-value traditional retirement benefits.

Roth IRA: The beneficiary of a Roth IRA or designated Roth account and its tax-free distributions might want to leave the account intact for up to the full 10 years to benefit from the potential tax-free growth for as long as possible.

Inherited IRA Examples

Scenario 1 — Single Life Expectancy Payments

Decedent date of death: 8/1/2023
Decedent age at time of death: 65
Beneficiary age: 62
Relationship to decedent: Sister

Under the SECURE Act, the beneficiary is an Eligible Designated Beneficiary because she is not more than 10 years younger than the decedent. She can elect to take payments under her own unrecalculated life expectancy and does not need to have all funds paid out within 10 years from date of death.

Scenario 2 — Annual Required Minimum Distributions (RMD) Payments with 10 year rule in effect

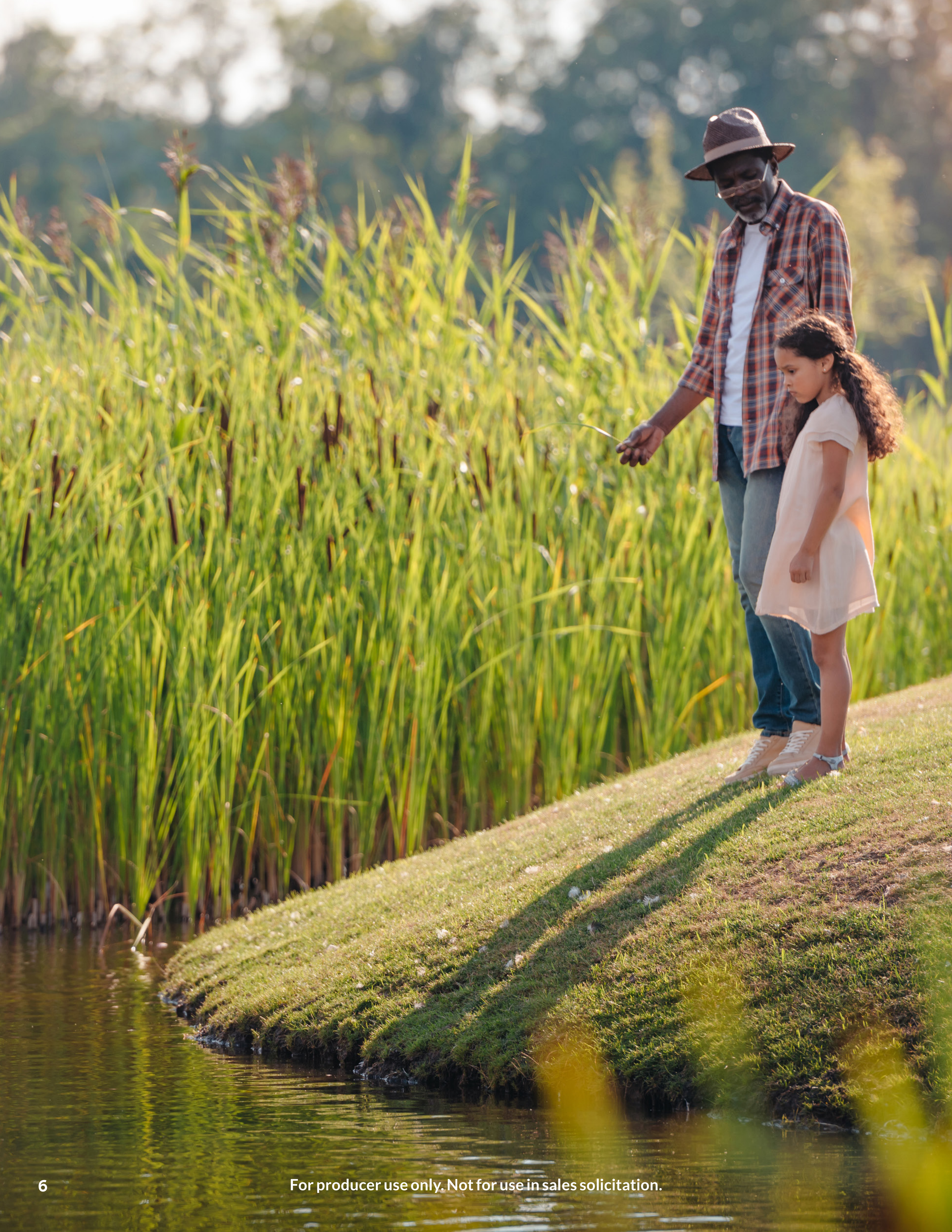
Decedent date of death: 8/1/2023
Decedent age at time of death: 75
Beneficiary age: 40
Relationship to decedent: Son

Under the SECURE Act, the beneficiary is not an Eligible Designated Beneficiary. He would need to take annual RMDs since the decedent died after the required beginning date for RMDs. These annual payments can be based on the unrecalculated life expectancy of the beneficiary. Additionally, the full balance must be paid to the beneficiary by the end of the 10th year after the decedent's death.

Scenario 3 — No RMD Payments but 10 year rule in effect

Decedent date of death: 8/1/2023
Decedent age at time of death: 62
Beneficiary Age: 35
Relationship to decedent: Son

Under the SECURE Act, the beneficiary is not an Eligible Designated Beneficiary. There are no annual RMD payments required since the decedent died before the required beginning date for RMDs. All funds must be paid out by the end of the 10th year after the decedent's death.



MassMutual Ascend accepts inherited business

A non-spousal beneficiary may have the option to transfer the death benefit into an inherited annuity contract from MassMutual Ascend Life Insurance Company. Inherited contracts may provide a way for your clients to spread out the tax liability, while allowing their inheritance to continue growing.

What are the benefits of an inherited annuity contract?

Continue the annuity's growth

By placing the death benefit into an inherited contract, assets may continue to grow, which can provide a significant boost to an inheritance over time.

Spread income tax impact over time

Taking the death benefit as a lump sum payment, could leave a significant tax burden. By opening an inherited contract, money will not be taxed until a distribution is taken.

Designate beneficiaries

One day your client can pass any remaining benefit on to their heirs.

MassMutual Ascend cannot issue an inherited IRA to a spouse beneficiary or for Roth funds. We can issue a spousal rollover traditional or Roth IRA to a surviving spouse.

Required Minimum Distribution

Required Minimum Distributions (RMDs) are mandatory withdrawals required by the government to be taken from tax-deferred retirement accounts, including Traditional IRAs, SEP IRAs, and SIMPLE IRAs. The same RMD rules apply to workplace accounts such as 401(k)s and 403(b), though these accounts generally allow you to defer distributions while you are still working. Meanwhile, Roth IRAs do not require RMDs for the original account owner.

Effective January 1, 2023

SECURE 2.0 Act Key Changes

- RMD required age increases from 72 to 73 in 2023 and increases again to age 75 in 2033.
- As of January 1, 2024, RMDs will no longer be required from Roth accounts held within employer retirement plans.

Reduced Penalty

Under the old rules, if a retiree missed the RMD deadline, they would incur a penalty of 50% of the amount not taken on time. Beginning in 2023, that penalty has been reduced in SECURE 2.0 Act to 25% and may be reduced to 10%, if corrected within two years.

Roth 401(k) and 403(b) Retirement Accounts

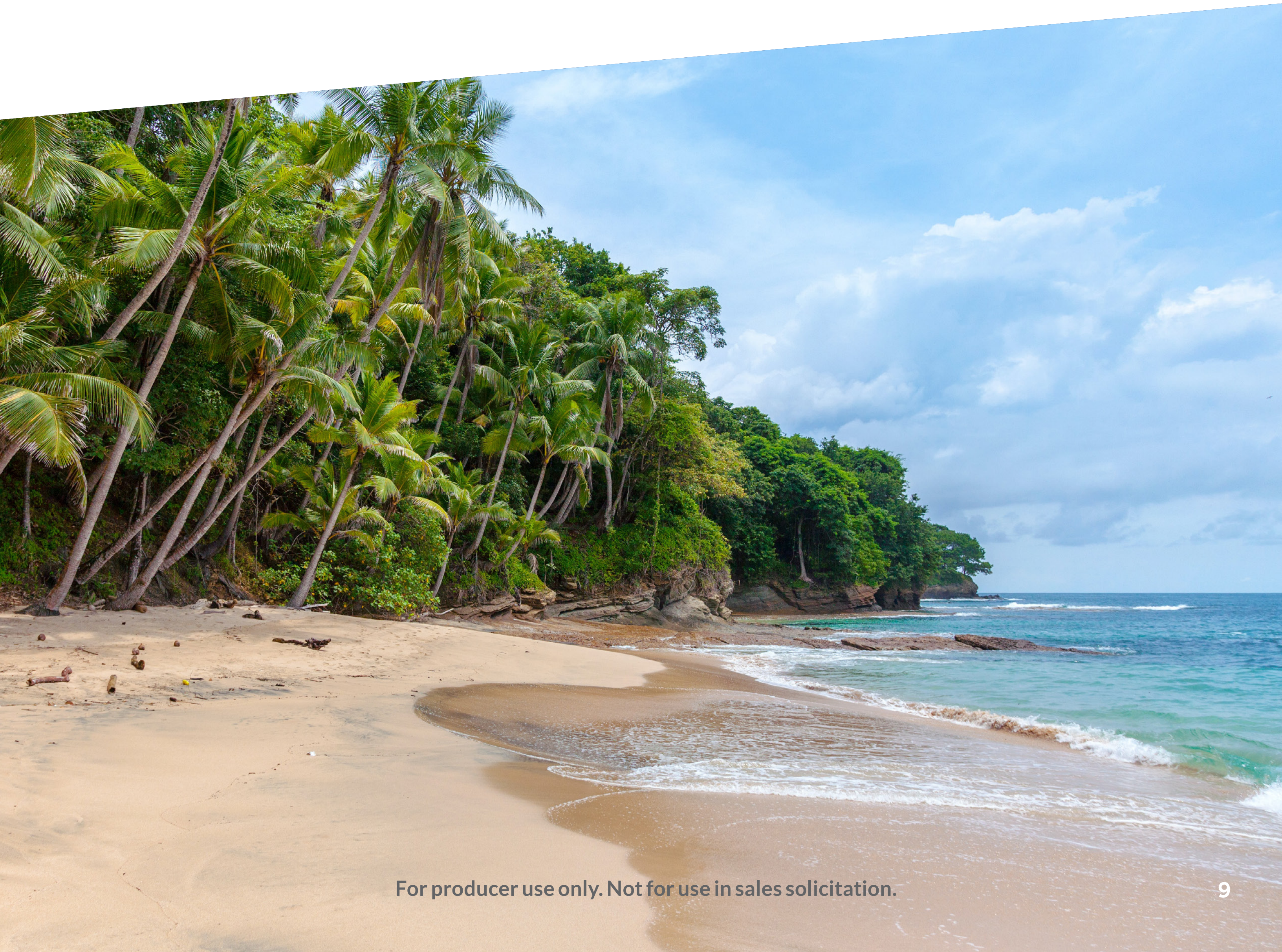
Starting in 2024, investors with a Roth 401(k) or Roth 403(b) will no longer need to take RMDs.

RMD Example

Scenario — Julia turned age 72 on July 11, 2023 and has a Traditional IRA.

Due to the changes afforded by the SECURE 2.0 Act, she will begin taking RMDs for 2024 when she reaches age 73 (rather than at age 72 as stated in the original SECURE Act).

Julia's first RMD, for 2024, can be delayed until April 1, 2025, but if she delays then she will need to take two RMDs in 2025—both the (delayed) 2024 RMD and the 2025 RMD, which is due by December 31, 2025.



SECURE 2.0 Act Timeline

AGE 70½

Retiree birth date before **July 1, 1949**

When the RMD rule was initially introduced, distributions were required to start at age 70½.

AGE 72

Retiree birth date July 1, 1949 - December 31, 1950

Under the SECURE Act, RMDs started the year the retiree turns 72.

A retirement saver who turned age 72 in 2023 must have taken the first RMD (the RMD for 2023) by April 1, 2024, and must take the next RMD (the RMD for 2024) by December 31, 2024.

AGE 73

Retiree birth date **1951-1959**

Under SECURE 2.0 Act retirement savers who turn 72 on or after January 1, 2023, need to begin taking RMDs at age 73.

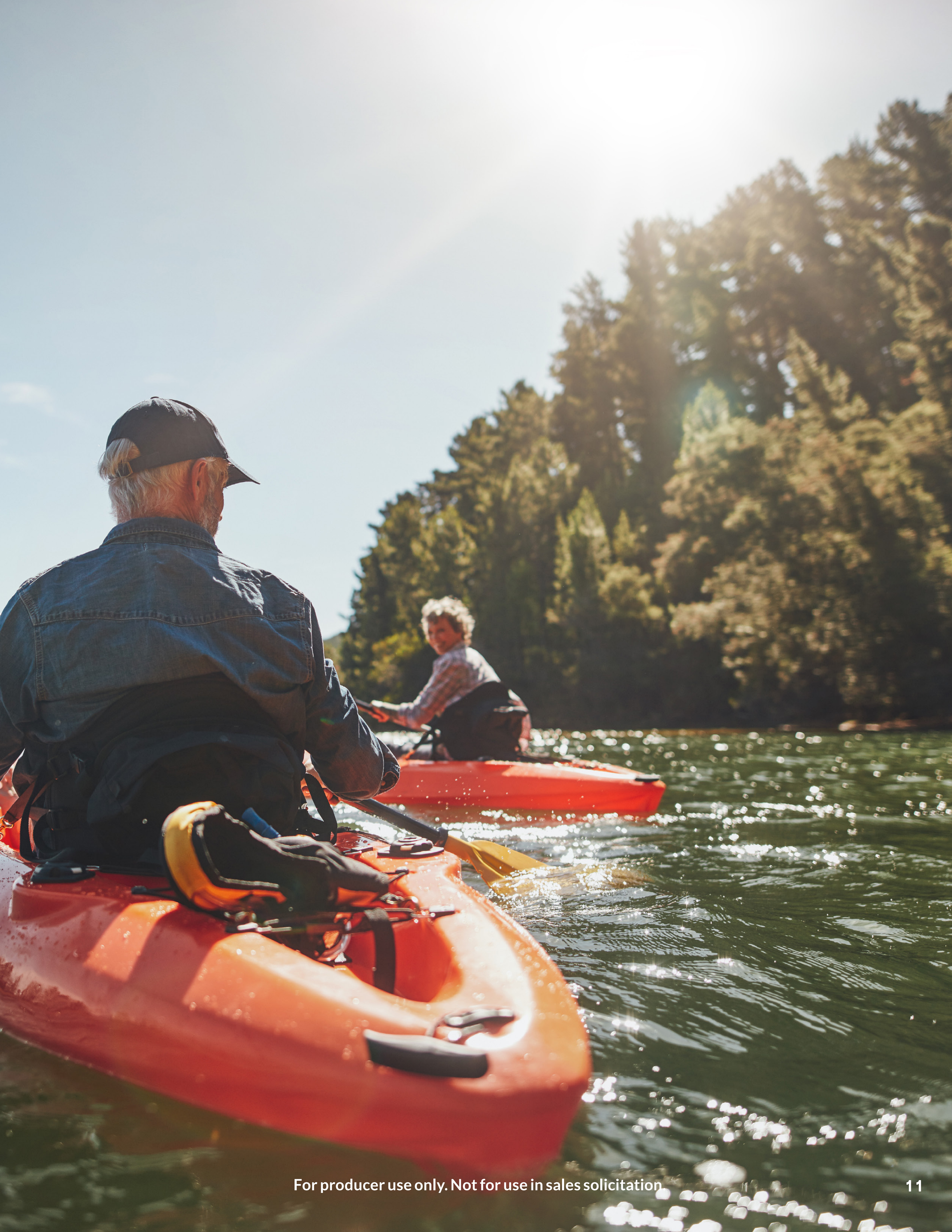
A retirement saver who turns age 73 in 2024 or later years must take the first RMD by April 1 of the year following attainment of age 73, and the second RMD by December 31 of that same year.

AGE 75

Retiree birth date **1960 or later**

Under SECURE 2.0 Act the starting age for RMDs will rise again to age 75 in 2033.

Source: www. bit.ly/3LuFV2p



Additional Information

Auto-Enrollment: Employers starting new 401(k) and 403(b) plans are required to automatically enroll eligible employees, starting at a contribution rate of at least 3% in 2025.

Auto-transfer: Retirement plan providers can now offer the ability to transfer an employee's low balance retirement accounts to a new plan when they change jobs.

Catch-up contributions: Starting in 2025, ages 60 to 63 can contribute $10,000 annually or 50% more than their regular catch-up contribution (whichever is greater) to their 401(k), 403(b), governmental 457(b) plans, and IRA accounts (indexed for inflation after 2025).

Note: Ages 50 or older with incomes of $145,000 and over (during the previous calendar year) are required to make their catch-up contributions to a Roth account in after-tax dollars. Individuals earning $145,000 or less, adjusted for inflation going forward, will be exempt from the Roth requirement. For SIMPLE plans, the catch-up contribution for the same age group will be the greater of $5,000 or 50% of the catch-up contribution limit.

Required Minimum Distributions: Starting in 2024, RMDs will no longer be required from Roth accounts in employer retirement plans.

529 plan assets: After 15 years, can be rolled over to a Roth IRA for the beneficiary. The rollover is treated as a contribution towards the annual Roth IRA contribution limit.

Rollover available if these conditions are met:

- The 529 plan must have been maintained for 15 years
- The rollover may not exceed the aggregate of contributions and related earnings made to the 529 plan more than five years before the rollover
- The rollover for a year, together with any other Roth IRA contributions, cannot exceed the beneficiary's annual Roth IRA contribution limit
- Total 529 plan rollovers may not exceed $35,000 lifetime limit
- The Roth IRA owner must have earned income at least equal to the amount of the rollover
- The rollover must be made as a direct trustee-to-trustee transfer

Defined contribution retirement plans will now be able to add an emergency savings account associated with a Roth account for non-highly compensated employees.

Note: Balances in an emergency savings account must be eligible for distribution at least once per month.

Pre-59½ distributions: New exceptions to the 10% additional tax for early withdrawals.

Note: Withdrawals covered by these exceptions can be repaid within three years to an eligible retirement plan. If repayment is made after the year of the distribution, an amended return would have to be filed to obtain a refund of any taxes paid.

Six new distribution exceptions include:

- Certain emergency expenses up to $1,000 (effective 2024)
- Pension-linked emergency savings account (effective 2024)
- Qualified disaster recovery (effective retroactively for disasters that occurred on or after January 26, 2021)
- Qualified long-term care (effective December 29, 2025)

Student loan payments: Can be "matched" by employers as a payment to a retirement account. In order for a 401(k), 403(b), governmental 457(b), or SIMPLE IRA to "match" a student loan payment, the matching contributions must be:

- Available to participants eligible to defer money and receive matching contributions
- Matched at the same rate as matching contributions on elective deferrals
- Subject to the same vesting schedule as the matching contributions on elective deferrals