SECURE Act retroactive retirement plans

While the SECURE Act has received attention for the changes it made to the choices available for beneficiaries of Individual Retirement Accounts (IRAs), a section of the policy that may not be as well known, could have important implications for clients with businesses that are considering establishing qualified plans. Previously, an employer that wished to deduct a contribution to a new tax-qualified retirement plan for the current tax year had to enact the plan by the last day of the year, however, the employer could make its contribution up until the due date of the year's tax return, including extensions.

Section 201 of the SECURE Act, which was created in part by the American Retirement Association Government Affairs Committee, allows an employer to elect and treat an eligible retirement plan, such as a cash balance or profit sharing plan, that was introduced after the end of the taxable year but before the filing date (including extensions) for the employer's tax return, as being adopted in the previous year.

Essentially, if the employer adopts the plan before the extended filing deadline for the employer's tax return, the employer's contribution to the plan will be counted as a deduction on the return.

This change allows clients who have not yet filed their 2020 taxes the ability to potentially:

- Reduce last year's tax liability
- Contribute larger amounts of money to a qualified plan than with standard defined contribution plans, such as 401 (k) plans
- Shelter more assets from creditors
- Use pre-tax contributions to pay life insurance premiums (subject to limitations) which may be necessary for:
  - Wealth transfer
  - Income protection
  - Buy-sell funding

The Truist Life Insurance Services (LIS) team is ready to assist and help determine if a defined benefit plan is an appropriate solution for you and your business.

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