

Financial Issues

SPRING 2020

CEFCU® Investment Services and Wealth Management

The SECURE Act: Changes & Opportunities for You

The Setting Every Community Up for Retirement Enhancement (SECURE) Act is now law. Here's an overview of several key changes:

- ◆ **Removed age limit for Traditional Individual Retirement Account (IRA) contributions:** The age limit for Traditional IRA contributions has been eliminated. Now, you can continue to make contributions past age 70½ as long as you meet the earned-income requirement.¹ Before the SECURE Act, you were required to stop making contributions at age 70½.
- ◆ **Increased age for IRA Required Minimum Distributions (RMDs):** The Act increases the age from 70½ to 72 for those individuals born on or after July 1, 1949. Those individuals are not required to begin an annual minimum distribution from their retirement account until the year they reach age 72, allowing their money to remain in a tax-deferred account for an additional 18 months, providing greater flexibility for using their retirement income.²

However, those individuals who have attained age 70½ in 2019 would need to continue to take RMDs in 2020 and thereafter.

- ◆ **Limits on Stretch IRAs:** Under the new rules, distributions to non-eligible designated beneficiaries generally must be distributed by the end of the 10th calendar year anniversary of the account owner's passing. Under the former law, for those who passed at the end of 2019, designated non-spouse beneficiaries could take distributions over their life expectancy.

The ten year limit does not apply to eligible designated beneficiaries such as the surviving spouse and minor child of the IRA owner.³

- ◆ **Part-time employees can participate in workplace retirement plans:** Before the SECURE Act, retirement plans were generally not offered to employees who worked fewer than 1,000 hours per year. Now, part-time employees can participate in a workplace retirement plan if they have either worked 1,000 hours in one year or have worked at least 500 hours per year for three consecutive years.

For more insight on how the SECURE Act may impact you, contact CEFCU Wealth Management at 1.800.356.7865, ext. 33836 or cefcu.com/wealth.

If you'd like guidance to modify or start a retirement savings plan, contact CEFCU Investment Services at 1.800.356.7865, ext. 32571 or cefcu.com/invest.

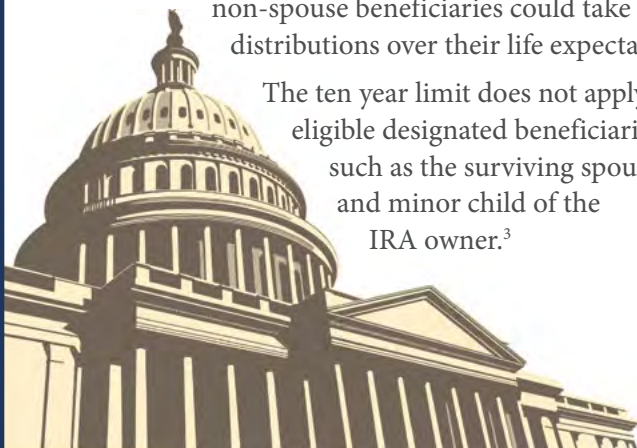
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Citations.

- 1 - §114 in Title V Revenue Provision of Division O ("Setting Every Community Up for Retirement Enhancement") of the Further Consolidated Appropriations Act, 2020.
- 2 - §401 in Title V Revenue Provision of Division O ("Setting Every Community Up for Retirement Enhancement") of the Further Consolidated Appropriations Act, 2020.
- 3 - Eligible Designated Beneficiary is defined as: (1) spouse, (2) minor child of IRA owner, (3) disabled beneficiary as defined in section 72(m)(7) of the IRS Code, (4) chronically ill beneficiary as defined in section 7702B(c)(2) of the IRS Code, and (5) an individual not described in items 1-4, who is not more than 10 years younger than the IRA owner. §401 in Title V Revenue Provision of Division O ("Setting Every Community Up for Retirement Enhancement") of the Further Consolidated Appropriations Act, 2020.

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Life Insurance Options

If you're considering purchasing a life insurance policy, here's an overview of the most common options:



Whole life insurance

This covers your entire life (not just a portion or “term” of it). Whole life policies also tend to cost more than term policies because the premiums build cash value and add to the death benefit payout to beneficiaries.

Term insurance

Rather than covering your whole life, term insurance covers a pre-determined portion of your life. If you pass within that term, your beneficiaries receive a death benefit. Simply put, term insurance allows you to purchase more coverage for less money, but it does not grow cash value.

Variable life insurance

Variable life insurance is a permanent policy with an investment component. The policy has a cash value account that's invested into “subaccounts,” like money market funds, bonds or stocks. This policy gives you a bit more control, as the value and death benefit depend on the performance of the subaccounts. So, it involves investment risk, impacting the death benefit upon the policyholder's passing.

Universal life insurance

Universal insurance is a permanent policy that provides access to cash values, which can build up tax-deferred. You can choose the amount of coverage you want and can increase or decrease the amount as needs change (subject to minimums and requirements). There is also some flexibility in determining how much of the premium goes toward the insurance and investment portions.

Which policy is right for you?

To help you choose a policy that will work best for you, contact a CEFCU Investment Services Representative. You can meet with a Representative by phone, online, or in-person at most Member Centers. To schedule a no-obligation appointment, call 309.633.2571 or 1.800.356.7865, ext. 32571, or go to [cefcu.com/invest](https://www.cefcu.com/invest).

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CEFCU®
Investment Services

Do You Need An Estate Plan?

Estate planning is not just for the wealthy

It doesn't matter if you own a mansion or a motor home, when you pass you leave behind an estate. An estate is any tangible property you own (such as real estate, antiques, artwork, vehicles, collectibles, jewelry, etc.), investments, and more.

Why an estate plan and not just a will?

First, only about half of Americans have a will¹, and it's a relatively simple document that sets forth your wishes regarding the distribution of property. **An estate plan goes much deeper than a will.** Upon one's passing, an estate plan can help save your family money on taxes, avoid potential probate court costs (which can delay asset distribution), and eliminate possible family disputes with regard to your assets and legacy wishes.

Do I need an estate plan?

Here are a few key questions to ask:

1. Do you have children?
2. What types of assets do you have?
3. Do you have a retirement account, like a 401(k), 403(b), or Roth IRA?
4. Is privacy important to you?
5. Would you like assets to go to charities?
6. Do you own a business? If so, have you thought about succession planning?
7. Are you nearing or in retirement?
8. Are there special circumstances to consider, such as blended families or families with special needs?

If you answered YES to any of these questions, developing an estate plan would be a good step to take.

Where do I begin?

Kevin Barbier, Trust and Investment Officer and CERTIFIED FINANCIAL PLANNER™ professional, has over 20 years of experience. He can work with you, your family members, your attorney, accountant, and other trusted advisors to help you develop an estate plan that fits what's important to you.

For more information or to schedule an appointment, call 309.633.3836 or 1.800.356.7865, ext. 33836, or go to cefcu.com/wealth.

Citations.

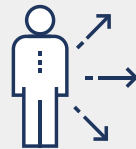
1 - caring.com/caregivers/estate-planning/wills-survey/ [2019]

THE IMPORTANCE OF ESTATE PLANNING



MYTH: It's only for the wealthy.

FACT: All your assets matter.



MYTH: It's only about your money.

FACT: Estate planning protects your assets AND your legacy.



MYTH: I'm too young to have an estate plan.

FACT: Regardless of age, anything you own is an asset and is worth protecting for the people in your life.



MYTH: Everything will be covered in my will.

FACT: A will only covers the distribution of your assets. Estate planning can save your family money on taxes, avoid probate, and more.



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- ◆ Jumbo or specialized mortgages
- ◆ Construction financing
- ◆ And, much more!

Brad Schupp, CEFCU's Private Member Group manager, has over 25 years of experience serving members with diverse financial needs. Contact Brad at 309.633.7489 or 1.800.356.7865, ext. 37489 or at bschupp@cefcu.com.



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