

The SECURE 2.0 Act: The Impact Continues in 2025

In December 2022, Congress passed the SECURE 2.0 Act, which contained numerous important retirement provisions. It also created a new opportunity for those looking to use retirement assets to make charitable donations.

Several provisions introduced in the SECURE 2.0 Act took effect in 2023, while others rolled out in later years, and some items are subject to annual inflation adjustment. So, what does this law mean for you in 2025? Let's look at some of the key provisions.

The Life Income Option for Giving from an IRA: Adjusted for Inflation

Since 2006, IRA owners age 70½ and older have been able to make qualified charitable distributions (QCDs) from an IRA directly to a qualified charity. These distributions are free of tax up to the 2025 annual aggregate limit of \$108,000 and count toward the donor's required minimum distribution (RMD) if one is due.

If you are an IRA owner age 70½ or older, SECURE 2.0 allows you to give from your IRA and create a lifetime income stream. This option lets you make a one-time distribution of up to \$54,000 (in 2025) from your IRA to create a new charitable gift annuity (CGA) or charitable remainder trust (CRT). (The CRT can be either a charitable remainder unitrust or a charitable remainder annuity trust.) This unique version of a QCD also counts toward your RMD if one is due.

If you are married, both you and your spouse may contribute \$54,000 each from your own IRAs into a single CRT or a joint-life CGA. However, the law does not allow income payments from the CGA or CRT to anyone other than the IRA owner or the owner's spouse—not even their children.

The distribution must go directly from the IRA to a CGA or CRT that qualifies for an income tax charitable deduction under the current Internal Revenue Code—in other words, the CGA or CRT must pass the 10% minimum income tax charitable deduction test. In addition, the CRT must have a minimum payout rate of 5%, and in the case of a CRAT, the trust must pass the 5% probability test. The CGA must have a minimum 5% payout rate. Other requirements include the following:

- The QCD may not fund an existing CRT or a deferred payment CGA.
- A CGA funded by a QCD must be non-assignable.
- A CRT funded with a QCD cannot later receive other gifted assets.
- All payments from the CRT or CGA funded by the QCD are subject to tax at ordinary income tax rates. No part of the payments will be considered tax free or taxed as capital gains.

FACT SHEET

Items of Interest: Other Important Provisions of SECURE 2.0

An increase to the age to begin taking RMDs. In 2023, SECURE 2.0 raised the age to start taking required minimum distributions from a qualified plan or IRA from 72 to 73. Another increase—to age 75—is scheduled for January 1, 2033.

A special catch-up contribution. Beginning in 2025, to encourage older workers to boost their retirement savings, a higher catch-up contribution limit is available for those ages 60-63. In 2025, 401(k), 403(b), and 457(b) plans that currently offer a 50+ catch-up contribution of \$7,500 will also have the option to offer an \$11,250 limit for participants ages 60-63.

A new rollover option from a 529 account to a Roth IRA. In 2024, SECURE 2.0 introduced penalty-free, tax-free rollovers from a 529 account (a tax-advantaged educational savings account) to a Roth IRA under certain circumstances:

- The rollover is limited to \$35,000.
- Rollovers are subject to Roth IRA annual limits.
- The 529 account must have been open for at least 15 years.

The Icing on the Cake: Continuing High Gift Annuity Rates

In addition to the changes brought about under SECURE 2.0, the American Council on Gift Annuities reconfirmed the high gift annuity rates that took effect January 1, 2024. This presents an opportunity to lock in higher fixed lifetime income payments for yourself and/or one other person (two people maximum). This is particularly attractive in light of the relatively new option to create a CGA using a one-time distribution from an IRA.

Sample one-life gift annuity rates, effective 1/1/24, reconfirmed 1/1/25

AGE	70	75	80	85	90
RATE	6.3%	7.0%	8.1%	9.1%	10.1%

Rates are subject to change.