EQUITABLE

Participant Insight

PUBLICATION OF EQUITABLE'S Retirement Plan Consulting Group

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SECURE Act: Overview of potential impact on retirement plan participants

The Setting Every Community Up for Retirement Enhancement Act (the "SECURE Act") which was signed into law on December 20, 2019 made significant changes to the rules that apply to employer-sponsored retirement plans like the one you participate in as well as IRAs.

Below is a list and overview of some key SECURE Act provisions. Additional guidance is expected on some of these provisions later this year.

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In this issue

Helping participants with education materials to assist them in planning, saving and investing to help them meet their retirement goals.

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Market Volatility

Stock market volatility can leave you feeling unsettled. These periods of uncertainty may be uncomfortable, even for the most seasoned investors, but it's important to keep perspective while pursuing your long-term financial goals.

At Equitable Financial Life Insurance Company (Equitable Financial), we're here to help you navigate through volatility so you can make smart choices based on your needs, not on the market's ups and downs.

Staying invested with dollar-cost averaging*

Investments that are bought and sold daily, like those traded on the New York Stock Exchange for example, fluctuate in price in response to market activity. This is the nature of investment markets and there is no way to avoid these price fluctuations. However, market ups and downs create the opportunity for potential gains, as well as losses, so your goal may be to help smooth out returns.

Dollar-cost averaging is an investing principle

WHAT IS MARKET VOLATILITY?

When investments move up and down (and back again), that's volatility. More specifically, it's a measure of how consistently or inconsistently an investment or index has performed compared with either a benchmark or its own historical average.

We can talk about volatility of a single investment, like a stock, or an entire market. One important thing to know about volatility is that it's a totally normal part of investing.

Things to remember when it comes to market volatility

- Maintain a long-term perspective rather than reacting to daily events.
- Remain focused on the big picture and make sure your risk tolerance is in line with your portfolio.
- Remember that trying to time the market is extremely difficult to do and market lows often result in emotional decision-making.
- Keep in mind long-term investors have historically seen less volatility. The longer an investor stays invested, the greater the potential for an overall positive return.

that allows you to do just that. It can help even out the impact of market volatility on your retirement plan portfolio.

There are three steps to dollar-cost averaging

1. Invest the same amount of money.
2. Invest on a regular (consistent) basis.
3. Stay invested for a long period of time.

When market performance is impossible to predict, it is unlikely that an investor can consistently make purchases when prices are at their lowest. So, dollar-cost averaging is an effective way to take advantage of the growth opportunities when prices are higher, and the ability to purchase more shares when prices are lower.

*Dollar-cost averaging does not assure a profit, nor does it protect against loss in declining markets. To be effective, there must be a continuous investment regardless of price fluctuations. Investors should consider their financial ability to continue to make purchases through periods of low-price levels.

REQUIRED MINIMUM DISTRIBUTIONS (RMD) WAIVED FOR 2020

RMDs are waived for 2020. Participants or beneficiaries otherwise required to take an RMD in 2020, including participants who reached the required age in 2019 and had a due date of April 1, 2020 but did not take their first RMD prior to January 1, 2020, are not required to take the RMD for the 2020 distribution calendar year. This generally includes those who are over age 70 ½ before 2020, unless they are less than 5% owners and still working. Equitable Financial will not distribute amounts equal to the 2020 RMD for impacted participants or beneficiaries unless such individual makes an affirmative election to receive their 2020 RMD equivalent amount.

Alternatively, your employer can choose on the Operational Checklist to have the 2020 RMD equivalent amount distributed to impacted participants or beneficiaries and provide them the option to affirmatively elect not to receive their 2020 RMD equivalent amount.

Based on your employer’s choice, if you are receiving automated required minimum distribution payments (over age 70 ½ or an impacted beneficiary) you will receive a letter explaining that choice and giving you the opportunity to choose the alternative. For example, if your employer chose to not pay the RMD for 2020, you can choose to receive the RMD by returning a form included with the letter.

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SECURE Act

Change in Required Beginning Date from Age 70 ½ to Age 72

The law has now pushed back the date a participant is required to begin receiving lifetime minimum distributions from their retirement plan (or IRA) from age 70 ½ to age 72. This new rule is effective for participants who attain 70 ½ after December 31, 2019. Participants who attained age 70 ½ on or before December 31, 2019 are required to use the old rules.

Any participant born after June 30, 1949 is impacted by the change. For example, if a participant was born on July 1, 1949, that participant will attain age 70 ½ in 2020. Under the old law such a participant would have been required to take their first required minimum distribution by April 1, 2021 and their second required minimum distribution by December 31, 2021 and then subsequent required minimum distributions by December 31 of each year. Under the new rule, this participant would not be required to take their first minimum distribution until April 1, 2022 since they will attain age 72 in 2021.

The new rules only changed the age for the required beginning date for minimum distributions. Non-5% owners, over age 70 ½, and now age 72, who are still working, are not required to take their first required minimum distribution until the April 1 of the year following their termination of employment, unless the plan has made an election requiring distributions to begin at age 70 ½ (now age 72), regardless of employment status. The termination date rule does not apply to 5% owners (own more than 5% of the business). As indicated earlier RMDs are waived for 2020.

Participants affected by this change should discuss the impact with their tax or financial professional.

SECURE Act provisions

Below is a list of some key provisions in the SECURE Act that may impact the retirement plan in which you participate.

Change to Required Beginning Date for minimum distributions from age 70 ½ to age 72.

Long-term part-time employees will be eligible to participate in 401(k) plan if they meet certain requirements

Modification of post death required minimum distribution rules for certain beneficiaries

$5,000 Qualified Birth or Adoption Distribution Penalty Free

401(k) Safe Harbor Plan nonelective contribution adoption and notice requirements relaxed

Plan benefits statements must include lifetime income disclosure at least once every 12 months

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Long-term part-time employees will be eligible to participate in 401(k) plan if they meet certain requirements

Under current law, employers can generally exclude employees from participating in a 401(k) plan until they have worked at least 1,000 hours in a 12-month computation period. As a result, many part-time workers, including long term part-time workers, never become eligible to participate in the plan. The SECURE Act changes that by mandating that employers also permit employees who have worked at least 500 hours in at least three consecutive years to participate as well. This change is effective beginning with plan years starting 2021 when employers must start counting 500-hour years for eligibility so the earliest any part time employee (who isn't already eligible) would be eligible to participate in a 401(k) plan would be 2024.

It should be noted that this change allows impacted employees to make 401(k) salary deferral contributions however, it does not obligate the employer to make matching and/or profit sharing contributions. In addition, plans can exclude the impacted part-time employees from testing calculations and if a plan already permits part-time employees to participate then this law change does not change current elected plan provisions.

Modification of post death required minimum distribution rules for non-spouse beneficiaries of certain inherited retirement accounts and IRAs

The SECURE Act generally eliminates the ability of the non-spouse beneficiary to take distributions over the life expectancy and replaces it with a 10-year rule with certain exceptions. The 10-year rule provides that distributions must be made to designated beneficiaries within 10 years from the date of the retirement plan participant or IRA owner's death. For non-designated beneficiaries (charity, estates), pre-SECURE Act rules continue to apply. For example, non-designated beneficiaries must withdraw the entire account within 5 years of the employee or IRA owner's death if required distributions have not begun prior to the owner's death.

Eligible Designated Beneficiary

- surviving spouse
- disabled or chronically ill beneficiary
- an individual who is not more than 10 years younger than the retirement account or IRA owner
- a child of the owner who has not reached age of majority

Certain 'eligible designated beneficiaries' (surviving spouse, disabled or chronically ill beneficiary, an individual who is not more than 10 years younger than the retirement account or IRA owner, a child of the owner who has not reached age of majority, but only until they reach the age of majority) are not subject to the 10-year rule.

$5,000 Qualified Birth or Adoption Distribution Penalty Free

The SECURE Act allows up to $5,000 to be distributed penalty-free from a retirement plan (or IRA) as a Qualified Birth or Adoption Distribution (QBOAD). To qualify for this distribution a participant must take a distribution from their retirement account at any point during the one-year period beginning either on the date of birth or the date an adoption of an individual under the age of 18 is finalized.

The law provides that participants who take QBOADs may repay them to the distributing plan

provided the participant is still eligible to contribute to the plan and the amount repaid cannot exceed the amount distributed. These repayments will be treated as rollover contributions.
There are many questions remaining to be answered around the administration of these distributions. Among them are:

- What steps must plans take to verify the participant's eligibility to take a QBOAD?
- Are there restrictions on the usage of a QBOAD?
- Who is responsible for determining whether an employee has reached their $5,000 limit since these distributions are permitted from all eligible retirement plans?
- Must plans accept repayment?
- What happens if the participant terminates after receiving a QBOAD?

Your Employer is not required to offer these types of distributions. If you are interested in utilizing this type of distribution check your plan's summary plan description or with your employer to verify it is available in your retirement plan. While these QBOADs are technically permissible now, the answers to the above questions, among others, will be needed before plans can practically make use of this plan feature.

401(k) Safe Harbor Notice requirement is relaxed

Beginning for plan years after December 31, 2019 the written notice requirement is eliminated for employers who have a safe harbor 401(k) plans and utilize the nonelective contribution option to satisfy the deferral test.

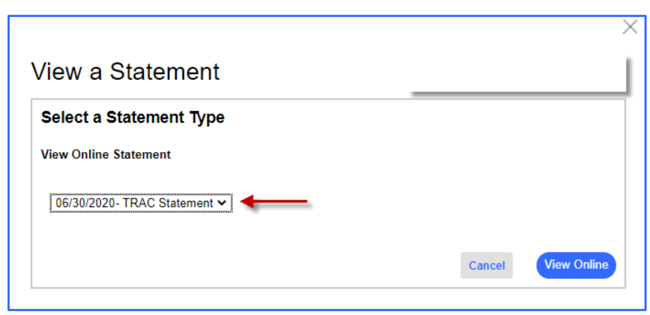
Change in Plan Benefit Statements

The benefit statements provided to participants in defined contribution retirement plans (e.g. 401(k), profit sharing and money purchase plans), will be required to contain a lifetime income disclosure at least once every 12 months. These changes most likely won't be required until 2022.

Web Feature Spotlight

Statements and Transactions

One of the features on the participant website which you may find helpful in monitoring your retirement account is the Statements and Transactions tab. On this tab you can find a summary of the last 30 days of activity. You can also use the filter feature to look at transaction activity for the last 90 days, year to date, last year or any custom period you would like to review. In addition, on this tab, you can click the View Statement button to see the most recent quarterly statements for your account.



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