

# LAWYER FOR *Life*

KEEPING YOUR FAMILY HEALTHY, WEALTHY & WISE

## IN THIS ISSUE

- Secure Act 2.0: What's Working and What's Not .....Page 1
- Understanding the Tax Impact of Non-Citizen Spouses in Estate Planning.....Page 3
- Personal Note.....Page 4



## Secure Act 2.0: What's Working and What's Not

When Congress passed the SECURE 2.0 Act at the end of 2022, it promised to modernize retirement savings and make life a little easier for both savers and those inheriting retirement accounts. Now that we've had all of 2024 and most of 2025 living with the changes, we can see which parts have delivered and which still leave people scratching their heads.

### What's Working

#### 1. Later Required Minimum Distributions (RMDs).

For years, retirees had to begin taking money out of their IRAs and other retirement accounts at age 70½, then 72. Secure 2.0 raised the starting age to 73, with another bump to 75 scheduled in 2033. This gives many retirees extra time to let their accounts grow tax-deferred and more flexibility in planning withdrawals.

#### 2. Bigger Catch-Up Contributions.

Older workers can now put more into retirement plans. For 2025 and beyond, individuals ages 60–63 will be able to contribute even more in catch-up amounts to their employer plans. This is especially helpful for people who may have had gaps in saving earlier in life, and are trying to catch-up now.

#### 3. Employer Matching on Student Loan Payments.

A subtle but welcome change: if you're paying down student loans instead of contributing to your workplace plan, your employer can now match your loan payments as if you had made a retirement contribution. This helps younger savers get started on long-term investing sooner.

(Cont.)



Kimberly T. Lee  
Attorney at Law



Mary P. Kelly  
Attorney at Law



Joseph Slagley  
JD

# Secure Act 2.0: What's Working and What's Not



(Cont.)

## What's Not Working (Yet)

### 1. Complexity in Beneficiary Rules.

This is arguably the rule that affects the most people. The original SECURE Act (2019) eliminated the “lifetime stretch” for most non-spouse beneficiaries of inherited IRAs, replacing it with a 10-year payout rule. Secure 2.0 didn't really fix the confusion about how those rules apply. The IRS has issued proposed regulations, but guidance has changed several times, and many families remain unsure about required annual withdrawals during the 10-year period. There is also a lot of confusion about how certain trusts are treated when they are named beneficiary of a retirement plan.

### 2. Roth Catch-Up Contribution Hiccups.

The law requires higher-income employees to make their catch-up contributions to Roth accounts rather than pre-tax accounts. But implementing this has proved tricky for many employers and plan administrators, leading to delays and extra paperwork.

### 3. Missed Opportunities for Coordination.

Secure 2.0 created new planning options, but many people haven't revisited their broader estate plans to take advantage of them. For example, raising the RMD age affects when retirees should consider Roth conversions, charitable giving from IRAs, or the timing of distributions that could support their heirs or favorite causes. It may also affect Medicaid planning in certain states, depending on whether the state exempts or counts retirement plans when determining Medicaid eligibility.

## Practical Takeaways

- **Review Your Beneficiary Designations.** Make sure the right people (or trusts) are named, especially if your plan was built on old stretch IRA rules.
- **Revisit Your Withdrawal Strategy.** The later RMD age may open a window for strategic Roth conversions or charitable gifts that reduce future tax burdens or accelerate Medicaid eligibility.
- **Coordinate with Your Estate Plan.** Inherited retirement accounts now behave differently than they did a few years ago. Trusts used as beneficiaries may need to be reviewed to ensure they still work as intended.
- **Ask About Employer Changes.** If you're still working, confirm how your workplace plan is handling Roth contributions and student loan matching.

Secure 2.0 has delivered some genuine benefits, particularly for people approaching retirement and for younger workers burdened by student loans. But it has also added layers of complexity to an already challenging area of planning. As we enter 2026 with more IRS guidance on the horizon, it's worth setting aside time to make sure your retirement accounts, tax strategies, and estate plan are all working in harmony.

If you haven't reviewed your retirement and estate plan recently, or if you inherited an IRA in the last few years, now is an excellent time to review with an estate planning professional. A little attention today can help avoid headaches (and unnecessary taxes) down the road.

# Understanding the Tax Impact of Non-Citizen Spouses in Estate Planning

## *What You Need to Know When Your Spouse Isn't a U.S. Citizen*

When it comes to estate planning, one of the most important goals is making sure your loved ones are taken care of after you're gone. But if your spouse isn't a U.S. citizen, some of the rules are different, and if you're not careful, those differences can lead to unexpected taxes and complications.

Here's what you need to know.

Normally, when one spouse passes away, they can leave an unlimited amount of assets to the surviving spouse without any estate tax. This is called the "unlimited marital deduction," and it's one of the cornerstones of most estate plans.

But here's the catch: The unlimited marital deduction only applies if the surviving spouse is a U.S. citizen.

If your spouse is not a citizen (even if they've lived in the U.S. for decades or have a green card) this deduction is not automatically available. That means the estate could owe significant federal estate taxes after the first spouse dies, just because of citizenship status.

So why does the IRS treat non-citizen spouses differently? The main reason is that the IRS wants to make sure it can collect taxes. A U.S. citizen spouse is more likely to remain in the country and follow U.S. tax laws. A non-citizen spouse might return to their home country, putting future tax payments out of reach. To avoid this, the IRS limits the tax-free transfer of assets at death unless certain conditions are met.

Thankfully, there's a way to preserve the tax benefits of the marital deduction—even if your spouse isn't a U.S. citizen. It's called a Qualified Domestic Trust, or QDOT.

A QDOT is a special type of trust that allows a non-citizen spouse to receive assets from their deceased spouse without triggering immediate estate taxes.

Here's how it works:

- The assets are placed into the QDOT instead of going directly to the surviving spouse.
- The trust must meet specific IRS requirements, including having a U.S. Trustee.
- Income from the trust can be distributed to the surviving spouse.
- Principal can also be distributed, but under stricter conditions (and may be taxed).
- Any estate taxes that would have been due are delayed until the surviving spouse takes certain distributions or passes away.

This gives the surviving spouse access to the assets while also giving the IRS assurance that it can collect taxes later, if necessary.

So, if you or your spouse is not a U.S. citizen, it's important to bring this up when creating or updating your estate plan. Without the right tools, like a QDOT, you could unknowingly leave your family with a large tax bill at a very difficult time.

Even better: early planning gives you options. In some cases, a non-citizen spouse may choose to become a U.S. citizen as part of the overall strategy. Or, couples may decide to shift how assets are owned or gifted during life to reduce estate tax exposure.

Estate planning is never one-size-fits-all, which is especially true for families with international ties. Whether you're just getting started or you've had a plan in place for years, make sure your plan reflects your family's unique situation.

## A PERSONAL NOTE FROM KIMBERLY

Dear Clients and Friends,

Thank you for reading our newsletter! We hope you find the insights helpful in enriching your knowledge in the area of estate planning.

Life changes, and your plan should keep up with it too. If it's been a while since your last review, now is a great time to ensure it still aligns with your wishes.

Schedule an appointment today to update your planning and secure peace of mind.

