# PBS Ep152 John N

**Eric Fuhrman**: Hello, ladies and gentlemen, and investors of all ages. Welcome to "The Patti Brennan Show." Whether you have $20 or $20 million, this show is for those of you that want to protect, grow, and use your assets to live your very best life.

My name is Eric Fuhrman, Chief Planning Officer here at Key Financial, and I am stepping in for the first time as your guest host for this episode of The Patti Brennan Show.

Folks, today we're here to talk about a massive piece of legislation called Secure Act 2.0, which was passed some time ago back in December 29th of 2022. But really, this probably represents the greatest overhaul of America's retirement system since the passage of the Employee Retirement Income and Security Act or ERISA since 1974.

Today we have a very special guest in our studio who is uniquely qualified to help us unpack this topic. Folks, I'd like to introduce our very special guest, Mr. John Nersesian. John, welcome to the show.

**John Nersesian**: Thanks, Eric. It's always a pleasure to be with you and with Key Financial and with all the clients that are hopefully watching and learning from our experiences.

**Eric**: Absolutely. I have to say thank you for coming back to the show again. You were here with us last fall going over things like charitable giving strategies, year-end tax planning, and so forth. I hope life has been good to you in the new year, 2024.

**John**: Life's been great. I'm enjoying myself. I'm still traveling a lot. I'm still teaching a lot. I love doing it. I love taking that very minimal amount of wisdom or intelligence I have and sharing it with other people so that they might benefit from it, which is obviously what you guys do a great job of here at The Financial.

**Eric**: Well, John, we're so glad to have you here. Folks that are tuning into the show, I just want to give you a little bit of background on John. He has an extensive but a very impressive set of credentials here that I want to cover for you.

**John**: Eric, that only means that I'm getting old.

[laughter]

**John**: The fact that it's lengthy is not impressive. It just means getting up there in age.

**Eric**: Absolutely. Well, listen, John, again, what you do is so important for our industry. John serves as the head of advisor education for PIMCO. For those of you that don't know, PIMCO is probably the largest fixed-income manager on the planet.

Now, fact-check me on this one, John. I think the only entity on planet Earth that owns more bonds than your employer is probably the United States Federal Reserve.

**John**: I'm not sure if that's a good thing.

[laughter]

**John**: The fact that this debt continues to grow on a pretty regular basis, which sometimes scares the markets when we think about all the debt that we are accumulating here in the US. But you're right. PIMCO really its legacy founded over 50 years ago. Its legacy is really to be one of the premier active fixed-income managers on the globe. I think the firm's track record speaks for itself.

**Eric**: Oh, it sure does. I think you might have just planted the seed for a future podcast, by the way.

**John**: Oh, sure.

**Eric**: Also, John has also served as Senior Managing Director of Wealth Management Services for Nuveen Investments, and he held positions as the first vice president at Merrill Lynch's private client group and led their advanced financial advisor education program.

John, the part about your background that I really like, which is unique, despite all the other industry experience you have, is that you serve as a faculty member for the Investments and Wealth Institute. Which sponsors the Certified Private Wealth Advisor and Certified Investment Management Analyst Program at the distinguished educational institutions of Yale and the University of Chicago.

It's impressive because you're bringing not just practical hands-on experience of working with people and advisors, but also that academic rigor, to bear on what you provide each and every day.

**Eric**: I really enjoy those experiences. Don't get me wrong. My day job of working at PIMCO and doing the great things we try to do for our clients is, of course, top priority. I also love going back to school, learning, and teaching there. It's a pretty rewarding experience for me.

The letters, by the way, SEMA and CPWA, for those who are maybe less familiar with them, the letters don't really matter much. What I do admire are great professionals like yourself and Patty and the rest of the folks here, and your endeavor to constantly learn more.

This business is constantly changing. We're talking about a recent piece of legislation, what the implications might be for investors, and how they can take advantage of those opportunities to make better decisions and achieve better outcomes.

I think one of the fun things about our industry, Eric, is that it is changing on a continuous basis and our jobs as students to learn, to build new skills, and to use those competencies to help other people, it never ends. It's an ongoing process.

**Eric**: Wonderful. Well, John, the one last thing I could say about you just to close it out, and this encapsulates everything that you just said, is that this business is all about knowledge, providing education, and perspective.

I think what really makes you unique and a real treasure in the industry is just your experience that you're just on the frontier of knowledge and it's going around and visiting practices like ours where you can distribute that knowledge into the financial advisory ecosystem.

Ultimately, it's advisors like myself and by extension our clients who really benefit from that intellectual capital that you bring to the show today.

**John**: Thanks. I appreciate that.

**Eric**: You bet. Ready to get started and unpack this massive bill called Secure Act 2.?

[laughter]

**John**: We're not going to do it all, by the way, Eric. We're going to cover some of the key components here that maybe our audience is most interested in because there's a lot into it. Oh, for sure. We'll cover the things, hopefully, that are most relevant to our friends.

**Eric**: For sure. You bet. Let's start out with Secure Act itself. We live in this environment of this burgeoning list of acronyms. Yeah. For our audience today, can you just explain what Secure Act means? But really kind of highlight the predecessor, Secure Act 1., which paved the way for the legislation we're going to talk today.

**John**: I love that. Secure Act is really setting up communities for a secure retirement, and it's essentially to help people prepare themselves for retirement.

Now, if we were born a generation ago, that maybe wasn't as significant a responsibility because what did we have back then? We had that three-legged stool of retirement security. It was a pension maybe from our employer and maybe Social Security provided by the government and some complementary resources that we built as retail investors.

Well, today, that landscape looks a lot different. There are two things that have changed. Number one, pension funds are less popular today. There are more and more companies that are requiring us to save on our own. Then the second challenge, Eric, which is probably not lost on our friends, is the fact that we're expected to live a longer period of time.

**Stop and think about this. A generation ago, I reached age 65. I had maybe 10 or 20 years that I had to provide for or plan for. Today, my life expectancy might be 30 years or longer. That financial responsibility, that obligation, if you will, to build assets to accomplish that is even more challenging. That's exactly what Secure is all about.**

**Eric**: If I hear you right, the problems here are not just planning for a longer life expectancy, but it is the change in the industry where now the relationship with the employer places the burden of not just savings, but also making the investment decisions, which used to be handled internally by, say, an investment professional and pension manager.

I guess that's the heart of what this is hoping to do.

**John**: That's a great observation. It's not just that responsibility, if you will, of having to provide the capital, i.e. no longer have a defined benefit plan. We now are viewing defined contribution plans as being the more popular choice.

It's the responsibility of investing that capital wisely and then distributing it wisely, which is why the work that you guys do here is so critically important to today's investors and savers.

**Eric**: Absolutely. Well, thanks so much for that, John. One of the things I thought was interesting about just the environment in which these bills are passed, whether it was Secure 1. or Secure 2., if you look at Secure 2., both of these bills had overwhelming support in both chambers of Congress.

Can you explain for us in an environment where it seems like political consensus is so challenging that some of these problems are so intractable? What is it about this piece of legislation that brought everybody together to say, yes, this is a good thing for the country and the American people.

**John**: I'd like to think that the objectives of the politicians who voted for this legislation was altruistic and really intended to serve the populace in the best possible way. Let's assume that maybe that is partially true.

Part of it is think about the political impression, if you will. If I'm a politician and I vote against these opportunities that maybe hinder an individual's opportunity to retire, that's not necessarily a good look.

Let's maybe assign credit to both. It was a popular piece of legislation politically and it was a popular piece of legislation because it is the right thing to do given the challenges that you and I had identified.

**Eric**: Absolutely. Well, let's move on to unpacking this legislation, which is extremely broad. To your point there's so much here. I want to really focus on the things that are likely to impact our viewers.

**John**: Sure.

**Eric**: Maybe to proceed here, let's think about three unique cohorts of individuals and talk about if you could expand on how the law impacts these particular people. Let's start first with the greatest population of people that we serve, which would be retirees. This would be people that are in the decumulation phase who have IRA assets or qualified savings plans.

Can you explain to the listeners, how has this new legislation impacted their need to distribute funds? How has the law changed in terms of the required distributions that these investors have to take?

**John**: Yeah, let's talk about that. That's a good way to start, Eric. We all remember a generation ago, 70 and a half, that's probably a number that sticks in our brains because for a long period of time, 70 and a half was when we were required to take distributions. That doesn't mean that we were prohibited from doing so,

As age 59 gave us an opportunity to take the money out if it made sense to do so. 70 and a half required us to take distributions over a life expectancy, whether we wanted or needed the money or not. That changed under Secure 1.. 70 and a half became 72, and under Secure 2., 72 became 73.

By the way, [laughs] before you commit it to memory, in the year 2033, it's going to go to 75. The goalposts keep changing, but that's a good thing. That means that it provides me as a saver with a longer period of time to compound these resources, to grow them more effectively, and to have a larger corpus that I can then use when I do stop working and when I do need to draw upon my assets.

RMDs have changed. The current law, starting in 2024, requires you to start taking distributions at a minimum by age 73.

**Eric**: Thank you. I'm going to come at you with a follow-up question. I'm going to do something that my kids do to me all the time.

**John**: What's that?

**Eric**: Which is I'm going to ask why. They use this beautiful analogy of moving the goalpost. But why are they doing that? Is that an act of charity on the part of our elected officials to just allow us to compound wealth for a further period of time? What's the underlying mechanism there that incentivizes them to push it out?

**John**: Yeah, I'd like to think that the primary motivation was this idea that forcing people to take resources out that they didn't need wasn't necessarily a popular or a wise thing to do. By allowing me to continue to grow those assets, eventually, they're going to be distributed.

Either I'm going to take them out when I want to, when I have to, or my heirs are going to take out those dollars when I eventually pass away, and there have been some changes there too, by the way.

**Eric**: Much more compressed timeframe.

**John**: Right before I could leave the money to my spouse and he or she could wind up growing those dollars during their lifetime. You may have covered this in another podcast, that 10-year non-spousal distribution period.

Now, all of a sudden, my children don't have the opportunity to stretch that money over their lifetime. They've got to take it out within a 10-year period and talk about an incredible opportunity for planning and advice. That's something that I think people need to take a closer look at as they think about two things.

Number one, who are the beneficiaries that I leave my money to? Then number two, those beneficiaries, when they eventually do inherit those resources, how they choose to take distribution over that required 10-year period.

**Eric**: Certainly the landscape has become more complicated, I guess, would be a way to describe it.

**John**: Holy cow, it's getting too complicated. I do this for a living. We're immersed in it every day and it requires a lot of energy to stay current on it.

**Eric**: For sure.

**John**: Listen, I'm not going to get on a political soapbox here, but I think sometimes legislations and the current rules and regulations that we are forced to comply with, they're too complicated.

If you make the game easy, I play it with you, we have a lot of fun, and we have some fulfilling experiences. If I make it too complicated, what do you eventually do? You close the game up and you walk away.

Unfortunately, in this attempt to be correct or attractive or in favor, the laws are getting too complicated, whether it's the tax law or retirement laws. I don't know, maybe that's, once again, why personal financial advice is so critically important, given the complexity of the laws that we're dealing with.

**Eric**: Yes, a way to take that complexity and simplify it, in terms of what it means.

**John**: Simplification is a good thing.

**Eric**: Yeah, what it means at the kitchen table.

**John**: It's funny. I work with a lot of advisors around the country, as you had referenced. Sometimes an advisor might assume that I'm going to impress people by showing them how much I know.

I'm going to show them the complexity of financial management, and they send us lots of information, assuming that more information leads to a positive impression. How about this**? One of the things I need you to help me with is simplify this for me.**

**Simplify it so I can do a better job in managing my capital, and simplify it for me so that it reduces the stress that I feel as an individual investor. The work you do goes beyond money. It very much correlates or has a positive impact on my quality of life, my fulfillment, and my level of stress. It's almost as important as the money itself.**

**Eric: Yes. It's about the emotional well-being.** Well said. To follow up, let's highlight one other element here for people that are in that retirement cohort. What are the gems in this new law that have changed for people that might be charitably inclined? Because there was a change to the ability to take deductions for charitable contributions that have made that a lot more difficult.

How can people utilize, say, their IRA accounts to fulfill a charitable mission but also secure some tax benefits?

**John**: Yeah, I'd love to talk about charitable giving and the correlation to Secure 2.. You got about an hour and a half to spend with me on that?

[laughter]

**Eric**: Sure thing.

**John**: Charitable giving is a complicated topic.

**Eric**: No doubt.

**John**: By the way, as I'm sure you well recognize, the purpose here is to help people, give to charity more effectively, it's not a conversation about, I want you to give more of your money away. We're already giving.

**Eric**: Good point.

**John**: In fact, $490 billion given to charity last year. The question is, are people doing it in the most effective capacity? Once again, that's where your advice can be so powerful.

Let's talk about that for a second. We know that the standard deduction today is $29,200 if I file a joint tax return. My charitable gift is an itemized deduction. That's the really good news. But I only derive a benefit if my itemized deductions, including my charitable giving, exceed that $29,000 standard number.

The question is, am I getting the deduction that I assume I might, when I express my generosity, when I write a check to my church, or when I give appreciated property to my university, what are the financial implications of my giving?

Now, for those individuals who have turned the age 70 and a half, and I'm sorry if that's confusing, because we just talked about 70 and a half going to 72 and then 73, and now I'm taking you back to 70 and a half. That number hasn't changed, despite the fact that RMD ages are now 72 or now 73.

At age 70 and a half, I can take a distribution from my IRA. It's called a qualified charitable distribution. That number was $100,000. It's been indexed for inflation, so it's slightly above that number today. That money goes directly to charity, and in doing so, I satisfy my RMD, and I don't receive income that is taxable to me, which has a number of adverse consequences.

It increases my income, which therefore may cause taxation of my Social Security benefit. If my income is higher, maybe my Medicare premiums under IRMA are higher. This premise of being able to fulfill my charitable giving by using IRA assets can be very compelling and advantageous.

**Eric**: That you really highlight there, again, is the complexity of the tax code and the domino effect this can have from not only impacting your Medicare premiums to your marginal tax rate and a host of other things.

**John**: I like your reference to the connectivity of these decisions. Sometimes as investors, we look at them as isolated decisions but part of the financial planning process is looking at them individually but pulling them together to understand implications across the financial landscape. That's a good observation.

**Eric**: Absolutely. Let's change gears. We're going to move to a different cohort. This might be a cohort that's more representative of, let's say, my own personal circumstances here.

**John**: When you say your own personal circumstances, what do you mean, younger?

**Eric**: Yeah, exactly right. Or a different season of life, I might say.

[laughter]

**John**: I like that. A different phase of my life. financial life.

**Eric**: That's good. Yes, yeah. Not my words. I'm invoking some of these beautiful analogies that Patti uses to talk about different phases. But no, let's think about college savings plans because there's some really unique planning opportunities there. Just to frame this, I have two young boys at home.

**John**: How old are your kids, by the way?

**Eric**: 11 and 7.

**John**: Fantastic. You're looking at college bills in, I don't know, a 6 or 10 years down the road, approximately?

**Eric**: Yeah. We plan for the ages that way. Rather than have two at once, we just have like eight straight years of college payments rather than doubling up in the same year.

**John**: Always the planner.

**Eric**: We're just going to amortize the cost out for a longer period of time.

**John**: I like that. I hope your wife was on board with the plan, by the way.

**Eric**: Well, at this point, we can't change it, right? It is what it is. In this case, let's say we want to provide for their education. Now, part of the problem we have is much like a pension manager, which is ultimately, we don't know what school they're going to pick. We don't know what the inflation rate will be on tuition. We don't even know what the return on our capital will be.

**John**: A lot of unknowns.

**Eric**: Right. Even just the small collection of errors can compound into having a significant amount of money in the 529 when things are all said and done. Probably a good problem to have, to be honest with you. But, what options does that leave us with? How does the new law, maybe open up a new door that didn't exist prior to its passage.

**John**: I love this topic. Thanks for bringing it up. Let's talk about 529s and their utility because I think hopefully your clients are taking advantage of because of the counsel you provide. But I think a lot of people are maybe missing that opportunity.

Look, there are very few chances for me to grow capital in a tax-efficient way, and taxes are a big drag on my investment returns. I know that capital gain rates at 20 percent are lower than ordinary rates at 37. I know that Roth accounts allow me to grow money on a tax-free basis.

The big one, which you've mentioned, is the idea of 529 plans. The idea that I can set money aside today and it will grow tax-free to eventually pay for needed college expenses. 529 plans are a home run. Annual contribution limit this year is eighteen thousand dollars, I believe.

I get to put in five years 'worth if I want to front-load it, assuming I have the liquidity or the financial resources to do so. But that "problem" that you've referenced is,

well, what if I put the money aside and then all of a sudden, after my kid has gone to school, I've got extra money left over?

Maybe that would be a limitation, something that would prohibit somebody or discourage them from savings in the way that they really should. I had this experience, by the way. My daughter went to TCU. I was a director with Nuveen for many years, and Nuveen actually paid for our kids' college education. I didn't know about it or didn't plan for it, and so I wound up with extra monies in a 529.

There's a new provision within Secure 2. that says if you're in that situation, that fortunate situation, where you've got extra dollars in a 529 plan, you can distribute them from that 529 plan into a Roth. But before you get all excited, there are some limitations.

**Eric**: Of course, there's always strings attached.

**John**: Exactly. There are some strings attached. It's not necessarily as attractive as it might appear to be at first blush. Number one, it can only go for the benefit of the beneficiary.

Eric, if you put extra money aside for your two boys and they wind up not needing or using those resources, one option you have is to change beneficiaries maybe to your grandchildren someday or to another loved one that you'd like to support financially.

If you choose, however, to eventually take that money out under this new provision. You can do so, but it's got to be for the beneficiaries to benefit into their Roth account. The amount that you can convert is limited to the annual contribution limit of the Roth, which I think is, is it $7,000 this year.

**Eric**: What's that? Yes, I believe $7,000 plus a $1,000 catch-up.

**John**: The numbers are always changing, so it's hard to keep them straight. It's $7,000, so I can do it. but it's maybe not as attractive or as advantageous as it might appear at first blush.

**Eric**: Got you. I can't and I think you highlight an important aspect, which is changing the beneficiary, I believe, resets the clock. Is that correct?

**John**: Yeah, I know where you're going. A lot of smart people have pulled that one out of the hat. Hey, John, wait a minute. My child's the beneficiary. I put the money in. I want to use that money to go to the Dave Pell Short Game School because my short game is terrible.

I can't take that money out under those on that provision it's got to go for the benefit of the beneficiary and if I do change the beneficiary from my daughter to myself hypothetically, it restarts the 15-year clock.

**Eric**: Oh goodness.

**John**: There are a number of limitations that unfortunately it's still an advantage or an opportunity for some maybe the greatest advantage Eric is the idea that because I know that there's a backdoor option for me, it encourages me to put aside more

money for my own benefit than I ordinarily would had those limitations been securely in place.

**Eric**: Right. I think there's another effect here on the back end, which is the ability to put money into a Roth IRA for your child. What values? What head start does that give them, with that planning? Because ultimately you can help them begin their journey. By using those funds and putting it in a personal Roth IRA.

**John**: I love that idea. In fact, you and I are going to be speaking about children and financial literacy and responsibility and expectations and all those things. I think we've got a podcast coming up on that one.

What a great way to get not only dollars aside for the child's benefit, but maybe to start this process of introducing our children to money, how it works, what the limitations are, what those responsibilities are, and transference of values. Roth accounts for kids. Separate from what we're discussing regarding the 529 plan.

If my kid's working during the summer and they're making a few dollars as a lifeguard or at a fast food restaurant, they can take those earnings. They have to have earned income. They can take those earnings and put them into a Roth plan and to start that compounding process a little bit sooner than they ordinarily would.

In doing so, and this as well as anybody does, that extra few years of compounding really makes a difference at the back end.

**Eric**: Amazing. Yep. Amazing. Even five years. I mean, it's incredible what that can change.

**John**: It's a good example of sometimes we focus on all these complex and esoteric strategies as a way to build wealth or achieve financial success. Sometimes the path to success comes in the most fundamental forms of blocking and tackling.

**Eric**: [laughs]

**Eric**: Starting earlier, saving money, being wise, avoiding emotional response. Those are, I'm sure, values that you espouse here.

**Eric**: Yes, just trying to remove the easy mistakes you can make.

**John**: You provide financial counsel, **but I know that my greatest cost as an investor is not the modest fee that I pay your firm for advice. What's my greatest cost? It's the cost of the mistakes I would make without it. That's an important part of the equation.**

**Eric**: Absolutely. Let's move on to say the last group that we might think about in terms of how this impacts them. Let's think about the people that are actively working and participating in an employer savings plan.

Whether that's, let's say, a simple IRA or probably the 401(k), which is most common, or 403b. In terms of those individuals, what are the specific changes here in terms of the Secure Act?

Again, there's numerous ones. What are the highlights there or the opportunities that maybe change for people that are putting away money on a paycheck-by-paycheck basis into their employer plans? What are the new opportunities there?

**John**: Yeah, there's a couple there that we can touch on. If there are some that maybe you want to discuss that I've missed, feel free to jump in and share them. Number one, think about those who graduate with student debt, OK?

I went to school. I have some debt that I've brought with me as now I've started to work. Unfortunately, it's a challenge for me to pay both my student debt obligations and to contribute money to my retirement account.

The good news is, is that under one of the provisions of Secure 2., my employer now has an opportunity to make a match into my 401(k) plan that ordinarily would not occur. They have the opportunity to do that for me as I'm making payments to cover my student debt.

That's a unique opportunity for that particular cohort of individuals who are maybe recent college graduates who maybe have some debt on the books.

**Eric**: John, that ties into the last discussion point, which is the ability to start early. Many people that are saddled with student debt, they are delaying that process of starting to save for retirement. I think that's a really powerful, feature and incentive, especially for somebody young that might be dealing with student debt, is just to get those contributions started sooner than later.

**John**: I love that. Let's talk about another particular cohort within that universe of individuals, those who are actively participating in an employer plan. Let's talk about the catch-up contributions.

I believe that the catch-up contributions for IRAs today, those over 50 years old, is $1,000 for an IRA and $7,500 for a 401k. So stop and think about this. The government is affording me an opportunity to put money aside in one of those plans, depending on which one is appropriate or right for me.

Now they're telling me, look, because you're getting closer to retirement, we want to help you maybe accelerate that savings process. We're going to let you put extra money aside if you happen to have the resources available to you. Individuals should do that. Then there's this very unique cohort. Don't ask me how they came up with this. Do you know what I'm talking about?

**Eric**: I think I know where you're going. Go ahead.

**John**: Continue. Tell me that you do.

**Eric**: Well, I was going to say, so it is, I think, a unique age band. I believe it is like 60 through 63 or 64?

**John**: No, it's 63. You have it.

**Eric**: Which is really weird because 65 is considered normal retirement.

**John**: How did they come up with 60 to 63? I have no clue. But I guess we'll take advantage of the opportunity. You got it. It's 60 to 63. Yep. We have an accelerated opportunity to put even more money aside.

This catch-up contribution, which is, as I mentioned, $7,500 currently today for a 401(k). It is. Check out this math or formula. It's either the greater of $10,000 or 150 percent of what the catch-up contribution was in the year in which it becomes effective.

**Eric**: Right. I have to think about that at least two or three more times, right?

[laughter]

**John**: Makes your head hurt a little bit.

**Eric**: Sure. It's an extra opportunity to really supercharge the savings for individuals that are maybe a little bit behind or just more aggressive towards the tail end of their careers, more or less.

**John**: No doubt about that. A couple of other things that we should know about these catch-up contributions and employer matching contributions is that some of these matching contributions now for higher income individuals over $145,000 in income will not be pre-tax monies, but after-tax dollars of the Roth version.

By the way, since we're talking about Roth, retirement, IRAs, contributions, and distributions, one of the greatest challenges or decisions maybe for many investors is, wait a minute, I get the advantage now that I can choose between the two.

A traditional retirement account that gives me a deduction today, but I pay taxes later on when I take distribution, or a Roth plan, which works in opposite fashion. I get no deduction today, but I do get to distribute tax-free. I'll bet you there are a lot of people who are confused or unsure as to which path is best for them. I'm assuming you have calculators or insights or some ability to help people with that decision?

**Eric**: We do. I think the first thing that I want people to know is that at the end of the day, you're not avoiding the payment of tax. You're just changing the time period in which you elect to pay it.

One way or another, you're going to pay it. Ultimately, again, we can make things very complicated, but I think the arithmetic is pretty simple, which is your choice of when to pay it should coincide with when you think your tax rate will be lower.

**John**: That's a good point. Ultimately.

**Eric**: Then we do all the rest of the work behind the scenes to help them figure out what that decision is. Ultimately, I think it really just comes down to you're going to pay the tax, and ideally, you want to pay it. The rational decision is to pay it when it's likely to be the lowest rate.

**John**: I really like that perspective. That brings up another point in this retirement and secure conversation that we're having about one of the differences between traditional and Roth. Traditional retirement plans, as you and I were discussing,

require distributions, RMDs, and a penalty if you don't do it right, by the way. The penalty used to be 50 percent. Secure reduced it to 25 percent.

**Eric**: Oh, it's very generous of them.

[laughter]

**John**: It's still pretty egregious. The good news is if you don't take the distribution that you're required to, the penalty is now a maximum of 25 percent. I wonder if our friends know this. Traditional plans do require RMDs now at age 73. Roth plans do not. That applies now not only for Roth IRAs, but that has also been extended to Roth 401(k)s.

**Eric**: Yes, that was a unique change because they used to require it on the 401(k), even though technically the Roth IRA, you didn't have to.

**John**: That's right. There was a difference between the two, which has now been resolved. I do want to point out the planning opportunity there. If I can leave the money in an account that grows tax-free for a longer period of time because I have other resources that I can use, that's an advantage to the investor or saver.

**Eric**: Absolutely. John, listen, this has been, for me, a thrilling conversation.

[laughter]

**John**: You must lead a very boring life.

**Eric**: Yes. [laughs] I would imagine so to some folks. This has been great to really bring this to a close. In your travels of advisors across the country and what you know of the law, are there any other gems, unique opportunities, any perspective, that you could share to really just close out today's episode?

**John**: No, I can't thank you enough for, number one, having me and number two, for your willingness to share this information or education to the clients that you serve. I think the work that you're doing is incredibly valuable to people, and I think it's a very noble cause.

**I used to think, Eric, that having money would make life easier. It's the naive perspective that I had many, many years ago. One of the things that I've realized through the work I do and maybe my own personal situation is having money doesn't necessarily make life easier. It makes it a little bit more complicated.**

We've used that term complexity a couple of times today. **I have a responsibility to earn it, to manage it, to save it, to grow it, to protect it, and to distribute it. Those are very challenging decisions which requires the help of a great firm like yours.**

**Eric**: Well, said, John. Actually, I think you put in a great segue to the next episode that we're going to do, which is about Family Wealth Planning. Great lead into that.

All right, folks, that's our show today. Thank you very much. If you have any questions on this topic or any others, we are here to serve. If you'd like to schedule a

meeting, just reach out to us at www.keyfinancialinc.com. I'm Eric Fuhrman, guest host of The Patti Brennan Show, and we'll see you again on the next episode.