



Legacy Matters

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Retirement Plan Owners and Beneficiaries – The Wait is Finally Over for the Final SECURE Act Regulations



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The IRS has released final regulations that address many of the retirement plan changes that were implemented by the SECURE Act of 2019 and the SECURE 2.0 Act of 2022. Below are some key takeaways from the final regulations. These rules are complex, and you should consult with your attorney or accountant regarding the application of these rules to your specific situation.

Distributions are required under the 10-year payout rule when the plan owner died on or after their required beginning date.

The SECURE Act introduced a new 10-year payout rule for many beneficiaries who inherit retirement plans, including 401ks and IRAs, from a plan owner who died after 2019, replacing the generally more favorable life expectancy payout rule. A beneficiary of a plan that is subject to the 10-year payout rule must withdraw the balance of the plan by December 31 of the year in which the 10th anniversary of the plan owner's death occurs.

The final regulations address the previously unresolved question regarding whether distributions are required during the 10-year period following a plan owner's death. The final regulations provide that the answer depends on whether the plan owner died before or on/after the date by which they were required to start taking lifetime required minimum distributions ("RMDs") from their plan(s) (such date is referred to as the "RBD"):

- **Pre-RBD 10-year rule:** if the plan owner died before their RBD, then the beneficiary/ies of the plan may – but are not required to – take distributions during the 10-year period after the plan owner's death.
- **Post-RBD 10-year rule:** if the plan owner died on or after their RBD, then the beneficiary/ies of the plan are required to take distributions during the 10-year period after the plan owner's death.

"Missed" RMDs do not need to be made up.

If you inherited a plan that is subject to the post-RBD 10-year rule and you did not take an RMD in any one or more of the years between 2020 and 2024, you do not need to make up these missed RMDs. You must begin taking RMDs in 2025.

Clarification regarding the new required beginning dates.

The final regulations provide clarity on the new RBDs that went into effect under SECURE 2.0. This information is important for plan owners to understand when they will be required to begin taking RMDs from their applicable accounts. Generally, your RBD is April 1 of the year after you reach your applicable age, as illustrated in the following table:

If your birthdate occurs...	Then your applicable age is...
Before July 1, 1949	70.5
Between (inclusive) July 1, 1949 and December 31, 1950	72
Between (inclusive) January 1, 1951 and December 31, 1959	73
After January 1, 1960	75

Client Corner



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A longtime client established a fund during her lifetime and entrusted Nutter with the responsibility to make charitable donations from that fund after her death. Over many years, she had made gifts in keeping with her love for her community and events – both joyful and challenging – that shaped her life. The current directors of the fund have continued to make charitable grants in her memory every year, both to organizations she had supported and other new organizations whose missions align with her values and priorities.

One especially meaningful issue to the donor was providing comfort and care to low-income people who suffer from arthritis. Existing organizations conducted educational programs and awareness-raising about the autoimmune disease, but did not offer support and care directly to individuals in need. Nutter worked with the fund's directors to reach out to healthcare organizations and community centers to find programs that provide direct support to people afflicted by the pain of that illness.

The end result of this effort was that one of the organizations is establishing a flexible fund to assist low-income seniors with a variety of needs, many not covered by Medicare or other programs. The grant made on behalf of this donor to this fund will provide very tangible support for people who are vetted by the healthcare agency and who are in need of help, such as repairs to an air conditioning unit, or orthotics for shoes, or eating utensils designed for someone for whom holding a fork or knife has become too painful. These small items are often not included in a list of permissible expenditures for other programs, but are essential to helping people maintain their independence and reduce their pain as they go about the tasks of daily life.

Trending

Small Steps Towards Trust-Based Philanthropy for Large Impact



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Philanthropy often plays a role in driving social change, using its financial resources and broad perspective to support movements and strengthen grassroots organizations. It can, however, risk being perceived as distant or lacking transparency, which has sparked conversations about how to create more open and fulfilling relationships between funders and grantees. Trust-based philanthropy has emerged as a method to foster a more balanced and collaborative relationship between funders and grantees. This article highlights some of the ways funders might consider incorporating aspects of trust-based philanthropy in their grantmaking.

Start with Trust

Trust between funders and grantees is at the very heart of this effort. Listen carefully to what charities express about their needs and the needs of the communities they serve. They know their work best. Similarly, be open and transparent with your grantees. Communicate clearly about application timelines, available funds, and renewal processes to create a more open relationship.

Reduce the Burden

Take a hard look at your application process. Is it overly complex or time-consuming? Are you reviewing everything that's submitted, or has the paperwork become more of a formality? Consider simplifying the process or accepting an organization's existing proposals to meet your own application requirements.

Offer Multi-Year and Unrestricted Funding

Securing year-to-year funding can be exhausting and unpredictable. Providing grantees with long-term funding allows them to devote greater effort toward programmatic work and less on constant

fundraising. Unrestricted support adds another layer of flexibility, enabling grantees to innovate and adapt as their needs or circumstances change.

Provide More Than Just Financial Support

Think about additional resources you can offer beyond financial contributions. Can you connect your grantees with other funders or share insights about funding opportunities from other grantmakers? Additionally, can you help facilitate collaboration among charitable organizations doing similar work or use your communication channels to promote their achievements to a wider audience?

Embrace High-Risk Funding

Recognize that not every project will meet its goals or achieve immediate success. Engage in honest conversations with grantees to better understand their challenges and failures, which can inform your funding strategies.

Meet Grantees Where They're At

Do you require extensive reports at the end of a grant period? Consider whether these are truly necessary. You might instead integrate a few key questions into your renewal process or hold brief check-in calls, reducing the administrative burden while still gathering the information you need.

Consider Participatory Grantmaking

Participatory grantmaking redistributes decision-making power from traditional funders to those directly impacted by funding decisions. Consider seeking input from community stakeholders on strategies, priorities, or grant requirements. Or you might engage consultants and advisors who are actively involved in the communities you aim to serve. Consider transferring some measure of decision-making authority to a panel of reviewers from the communities served. Place-based intermediaries can also be helpful here.

By more fully engaging those closest to the charitable work being supported, funders can enhance the effectiveness and impact of their grantmaking efforts.



Nutter Spotlight

Johanna Wise Sullivan

Johanna is a partner in Nutter's [Private Client Department](#) who has made it a priority to give back to the community throughout her career. A dedicated adviser to individuals and families on their estate planning needs, Johanna helps clients achieve their unique business, personal, and philanthropic goals. She frequently advises clients on structuring charitable gifts in order to advance their philanthropic interests, including the creation and funding of private foundations and charitable remainder trusts.

Johanna's civic involvement ties back to two longstanding interests: creating effective environments for education in urban communities and maximizing philanthropic resources to benefit a diverse spectrum of community organizations. Johanna has served on the board of the Center for Collaborative Education (CCE) for almost 10 years, providing the perspective of a non-educator on matters of vision, operations, and policy. CCE is a nonprofit organization that promotes innovative models of schools, often focused on community participation, and engages in related activities that increase justice and opportunity for all learners.

For more than a decade, Johanna has been on the board of the David E. Retik Christopher D. Mello Foundation, founded in remembrance of two men who were killed in the September 11th attacks. She provides expertise to ensure effective governance and utilize the assets of this Foundation and support a comprehensive approach to annual giving. Each year, the Retik Mello Foundation makes grants to a wide range of nonprofits supporting economic opportunity, youth and families, food security, and equity.

It is particularly important to Johanna to ensure that the legal profession creates opportunities for women and people of color. She co-chairs Nutter's Equity, Diversity and Inclusion Committee, which develops and implements the strategies and policies to support Nutter's goals in the DEI space, and also fosters a culture where DEI is an ongoing priority.

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