



The CARES Act Summary & Impact on Retirement Plans

The Coronavirus, Aid, Relief and Economic Security (CARES) Act was signed into law on Friday, March 27, 2020. It is an attempt at the federal level to address issues brought on by the COVID-19 pandemic. It will make the following changes to your retirement plan.

CARES ACT DISTRIBUTIONS: Through December 31, 2020, participants are permitted to withdraw up to \$100,000 in aggregate from their retirement account if they certify that they were impacted by the Coronavirus in the one of the following ways:

- The participant, their spouse, or dependent is diagnosed with Coronavirus.
- They experience, due to COVID-19, adverse financial consequences as a result of being quarantined, furloughed or laid off; having work hours reduced; or being unable to work due to lack of child care, or other factors as determined by the Treasury secretary.

Upon meeting the above criteria, distributions are penalty free (even if under age 59 ½) and can be paid back to the plan or an IRA within three years. If paid back, the funds are considered a rollover contribution and thus, does not count towards the annual plan contribution limit of \$19,500. If they are not paid back, the taxes can be paid over a three-year period.

EXPANSION OF PLAN LOAN LIMITS: The plan loan limit for those who certify that they were impacted by the Coronavirus due to one of the factors listed above was increased for 180 days after enactment of The CARES Act.

- Previously – The lesser of: \$50,000 or 50% of a participant’s vested account balance
- New limit – The lesser of: \$100,000 or 100% of a participant’s vested account balance

Additionally, individuals with an outstanding loan from their plan with a repayment due between March 27, 2020, and Dec. 31, 2020, can delay their loan repayments for up to one year.

WAIVER OF 2020 REQUIRED MINIMUM DISTRIBUTIONS (RMDs): All required minimum distributions to be paid in 2020 are waived. Typically, account holders must take an annual distribution from tax-deferred 401(k)s and IRAs starting at either age 70 1/2 or 72 (for those who turned 70 on July 1, 2019, or later). However, this requirement is temporarily waived for 2020 to prevent individuals from having to take distributions at an inopportune time during market declines.

If you have any questions, please contact our customer service team at 877-673-3581 or you can email us at planinfo@thetrust.com.