CARES Act– Impact on Retirement Planning

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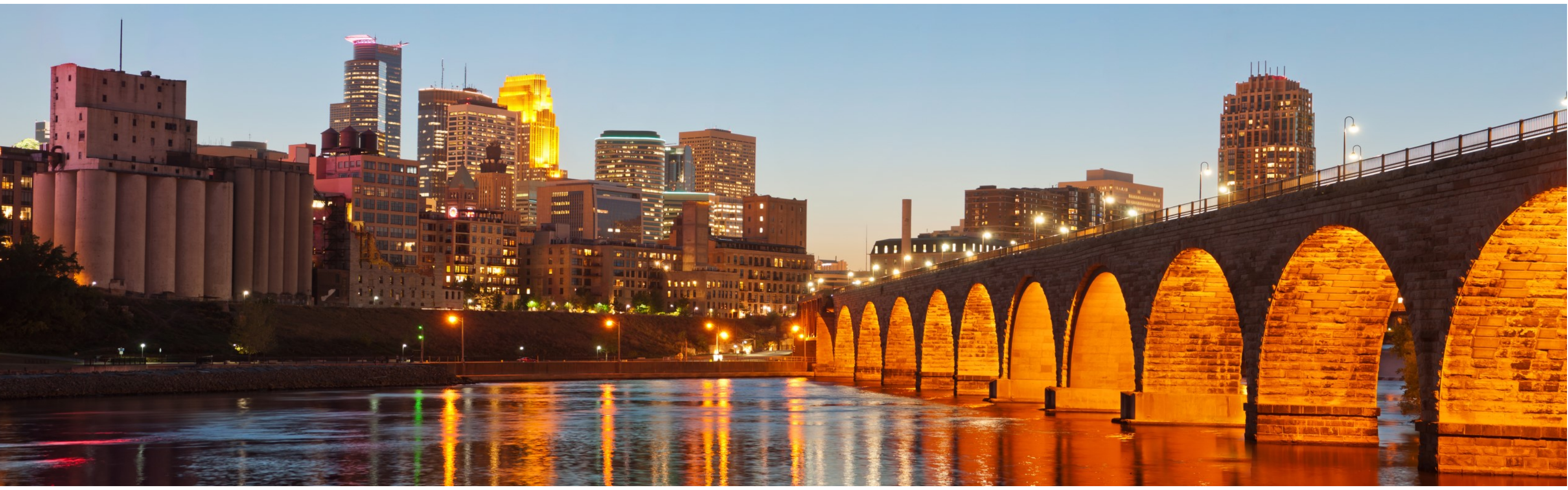

CARES Act and Retirement Plans

The CARES Act is a comprehensive stimulus package from the Federal Government. It covers a wide range of new benefits to help protect the economy from COVID-19. One area to note is how this stimulus package effects retirement plans. Here are a few of the highlights:

Extension for Contributions

The US Treasury has extended the Tax Filing date from April 15th, 2020 to July 15th, 2020. Due to this extension, contributions for 2019 have also been extended. If you have not contributed for 2019 yet, you will now have time to do so. This will include HSA and Archer Medical Savings Accounts, Coverdell's, and both Traditional and Roth IRA. If you have yet to contribute for 2019 to your IRA or Roth IRA, you will be eligible to do so until July 15th, 2020.

Required Minimum Distributions Waived

All Required Minimum Distributions (RMD) are waived for 2020. 2019 RMDs that were scheduled to be taken by April 1st, 2020 are also waived. If you are of age 70 ½ or older, there is no requirement to take any action on those RMDs. The act covers plans like 401k, Roth 401k, 403b, IRAs and Inherited IRAs. It is important to note, this wavier does not include Defined Benefit Plans.

If you have already taken an RMD for 2020, you may be eligible to return the RMD. If it has been taken in the past 60 days, you can recontribute the amount. If you have already done one Rollover in the past 12 months, you will not be eligible to recontribute. If you are a non-spouse beneficiary, you will not be eligible to recontribute. If your distribution was for a charity, you will not be eligible to recontribute. At this time, it does not appear that any taxes withheld will be refunded.

10% fee waived for early withdrawal

If you are younger than 59 ½ there is usually a fee for an early withdrawal of 10%. The CARES Act stipulates that you can withdraw up to $100,000 without a 10% penalty. You will still need to pay taxes on any distribution you make. Provisions in the CARES Act will allow you to ratably pay the tax bill over 3 years. You can recontribute the distribution over a 3-year period as well. Recontributed funds will not count towards contribution limits. If you are over the age of 59 ½ you will still be eligible to recontribute to your account, even though the 10% fee does not apply to you.

Company Plan

If you have a company sponsored retirement plan (non-IRAs), you will be eligible to take a loan of up to $100,000 or 100% of account value, whichever is the lesser of the two. All loan repayments between March 27th and December 31st 2020 will be eligible for a year of postponed payments, even if your loan was taken before the passage of the CARES Act. Company plans are not forced to implement these new provisions.

The IRS is still setting up some guidelines on how to regulate all of the CARES Act changes. You should expect to see changes throughout the remainder of the year. It is important for you contact your financial professional (advisor, financial planner, accountant, attorney) to confirm the strategy that best fits your unique needs.