

CARES Act: Retirement Plan Provisions

In recent weeks, COVID-19 has emerged as a global pandemic as defined by the World Health Organization. With “social distancing” measures in place, many businesses have closed, and a record number of Americans have lost their jobs. The longer businesses are closed, and people remain unemployed, the more of a toll it takes on our economy. To help fill this void, the Federal Reserve has taken drastic steps in monetary policy to keep the financial system stable. On March 27th, Congress passed the largest economic stimulus package in our country’s history, the “Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020.”

The CARES Act is an estimated \$2 Trillion stimulus package, including nearly \$500 billion in individual rebate checks to Americans, another \$500 billion in support for several severely damaged industries, nearly \$400 billion in tax credits for wages and payroll tax relief, over \$300 billion of support for state and local governments, and almost \$180 billion for various initiatives to support hospitals and the health care system.

Krilogy’s Wealth Intelligence Group has highlighted details specific to the Retirement Plan Provisions offered under the CARES Act to keep you informed of how this may impact you.

Retirement Plan Provisions

1. COVID-19 Related Retirement Plan Distributions (qualifying criteria below):

If you have experienced a hardship (defined below) due to COVID-19 and have a retirement account, you are able to take a distribution from the account to assist you financially.

Benefits include:

- Distribution from a retirement plan up to \$100,000
- No 10% penalty for individuals under 59½
- Not subject to mandatory tax withholdings
- Can be repaid back into retirement account over three years. Notably, this may trigger the need to amend your tax return for taxes previously paid on the distribution.
- Distribution income can be spread out and reported over three years as well.

2. Employer Sponsored Retirement Plan Loans (qualifying criteria below):

If you have you experienced a hardship (defined below) due to COVID-19 and have an employer sponsored retirement account, you may take a loan from your plan to assist you financially.

Benefits include:

- \$100,000 maximum loan amount (increased from \$50,000)
- 100% of vested account balance (increased from 50%) up to \$100,000 total mentioned above
- Delay of loan repayment for up to one year

Qualifying Criteria: The CARES Act broadly defined the criteria pertaining to COVID-19, which include any of the items listed below. You may qualify if you:

- Have been diagnosed with COVID-19
- Have a spouse or dependent who has been diagnosed with COVID-19
- Experience adverse financial consequences from being quarantined, furloughed, laid off or reduction in hourly work due to COVID-19
- Are unable to work due to lack of childcare
- Are a business owner who had to close or operate under reduced hours
- Have miscellaneous reasons as approved by the IRS

3. Required Minimum Distribution Changes

When you reach age 72 or inherit a retirement account, you are required to withdraw a portion of your account annually. The CARES Act has made the following adjustments:

- Required Minimum Distributions are completely waived for 2020, both for your own account and for inherited accounts.
 - This includes those who delayed taking their first distribution and planned to by the April 1 deadline and would have had to take another by year end. These individuals can essentially skip two RMDs.
- 2020 will not count for the five-year deadline for inherited RMDs. Consider it a leap year.
- If you have already completed your 2020 RMD, you can repay the distribution back into the account.
 - If within 60 days of withdrawal, you can simply repay the account.

- If after 60 days of withdrawal, you can repay the account if you had a COVID-19 hardship as defined above.

There is no doubt that this bill includes many nuances that we are all still working through. With that being said, we anticipate you, our valued clients and contacts, to have plenty of questions. Rest assured, we are here to help and to navigate through this new era together.

As always, please contact your Krilogy advisor or advisory team to discuss this article and how it applies to your unique financial planning situation.

To read the bill yourself and see how this may apply to your unique situation, it can be found here:

<https://www.congress.gov/116/bills/hr748/BILLS-116hr748enr.pdf>

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