



HOW THE CARES ACT IMPACTS IRAS AND RETIREMENT PLANS

Many of your clients are going to have questions about how the CARES Act impacts them and their retirement savings. We've reviewed the legislation and highlighted some of the impacts the CARES Act may have on IRAs and retirement plans, from what we know today.

Withdrawal changes

- Tax-favored withdrawal, penalty-free, coronavirus-related distributions up to \$100,000 between Jan. 1-Dec. 31, 2020.*
- Repayment of coronavirus-related distributions permitted within three years of taking the distribution.
- Coronavirus-related distributions may be included in individuals' taxable income over a three-year period.
- The mandatory 20% withholding will not apply.

RMD Changes

- Required Minimum Distributions (RMDs) may be waived in 2020 (including those who had not yet received their first distribution if they turned 70 ½ in 2019).
- A plan or IRA beneficiary receiving distributions over a 5-year period will be able to waive the distribution for 2020.

Loan changes

- Plan loan dollar limits will be temporarily increased to the lesser of \$100,000 or 100% of the participant's vested balance (applies to loans taken within 180 days of the enactment).**
- One-year delay for loan repayments due in 2020 with subsequent payments adjusted to take into account the delay. Loan durations (including the 5-year maximum) may also be disregarded during this period, if payments are delayed.

Plan changes

- Plan amendments for coronavirus-related distributions, RMD waivers, and increased loan limits—all of which are optional—would be required by the last day of the plan year beginning on or after Jan. 1, 2022 (with an additional two years for government plans).

Defined benefit changes

- Single-employer pension plan funding relief by delaying minimum required contributions to Jan. 1, 2021. Plan sponsors may elect to treat the plan's funding percentage (AFTAP or adjusted funding target attainment percentage) for plan years which include the 2020 calendar year the same as the funding percentage for the last plan year ending before Jan. 1, 2020 (with interest applying to late contributions).

This is just quick look at some top-level changes, to help you answer questions and guide discussions in the days to come.