

# The CARES Act and What it Means for You

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law. Below you will find information on the provisions as they relate to retirement plans from that bill. **Please contact your employer to see which provisions of the CARES Act they have adopted for your retirement plan.**

**A New Distribution Type- Coronavirus-Related Distribution (CRD)** – This new type of distribution allows you to take a distribution from the plan up to \$100,000 (or your vested balance, whichever is lesser) that is not subject to the 10% early withdrawal penalty, nor subject to a 20% withholding at the time of distribution, and may be paid back to the plan over the course of three years, if you qualify. To qualify, you must certify that:

- you, your spouse, or your dependent have been diagnosed with COVID-19;
- you, your spouse, or a member of your household (someone who shares your principal residence) have experienced adverse financial consequences as a result of COVID-19 due to:
  - being quarantined, furloughed, laid off, having your hours reduced;
  - being unable to work due to a lack of childcare;
  - having had a reduction in pay (or self-employment income);
  - having had a job offer rescinded or start date for a job delayed; or
  - having had a closing or reducing of hours of a business owned or operated.

If you are eligible for this distribution and choose not to pay back all or any part of the distribution, you may stretch the taxable income out over a three-year period.

**Temporary Loan Procedures** – If your plan allows for loans, the CARES Act also allows the following temporary changes to plan loan procedures:

- If you are experiencing a financial distress as a result of the COVID-19 outbreak, you may delay your existing loan repayments due in 2020 for up to one year, with the five-year limit allowed to be extended if payments are delayed.
- If you certify that you are experiencing one of the situations above and that your need for a loan from the plan is related to a financial loss related to the COVID-19 outbreak, the plan loan limits may be increased to the lesser of \$100,000 or 100% of the your vested balance.

**Required Minimum Distribution (RMD) Waiver** – Another form of relief provided to participants by the CARES act is that first year RMDs for 2019 and RMDs for 2020 are waived, if the plan sponsor elects to allow for this change to their plan.

Please speak with your employer to see if these provisions have been adopted for your plan, and to see what next steps you will need to take.

