



Retirement Plan Changes Allowed To Help Deal With Coronavirus-Related Issues

As part of the federal stimulus package to help people struggling with the economic effects of the coronavirus crisis, Americans now have options to access up to \$100,000 from their retirement accounts, as either a withdrawal or a loan.

The new rules apply to a range of people, including those who have lost a job or been furloughed because of the pandemic, those suffering from COVID-19, or who have a spouse or dependent with the virus.

Let's take a look at how this affects you.

The changes for withdrawals from 401(k), IRA or similar employer-sponsored retirement accounts waive the normal 10% penalty on the amount of money withdrawn by people under age 59½, which will save \$10,000 if you withdraw the full \$100,000 limit. You'll still have to pay income tax on the money you take out, but you can now spread that tax expense over three years and, if you repay the full amount of your withdrawal within three years, you can avoid paying those taxes.

Taking a loan from your 401(k) is another option, but you'll have to repay that amount, with interest. You can now take out a loan for up to \$100,000, or 100% of your vested amount, whichever is less. People with outstanding loans due between March 27 and Dec. 31, 2020, will get an extra year to repay it.

If you have you have questions about a withdrawal or loan from your retirement account, it is recommended that you talk to your retirement plan administrator.

Another benefit of these changes is that retirees who are 72 or older won't have to take a required minimum distribution from their retirement account in 2020. With the drastic stock market fluctuations and retirement funds taking a hit, this gives invested money a chance to rebuild as the stock market recovers.

Individuals also have been given an extended amount of time to contribute to an IRA this year. Normally, the contribution deadline is the traditional April 15 tax-filing day, but that date has been pushed back to July 15 for 2020.

Should you withdraw money from your retirement account? That is up to you and your financial situation. Some experts recommend that you look at your retirement funds as a last resort. That's because you're depleting the funds you have set aside for the future and will be missing out on money you could be earning when the stock market starts to recover.

Do I qualify for early withdrawals from retirement accounts?

In order to be eligible, participants must meet one of the following criteria:

- They have contracted COVID19 themselves
- Their spouse or dependent has contracted COVID19
- They have lost a job, been furloughed or otherwise suffered a heavy financial burden because of COVID19 (including loss of childcare)

What if I already made an early withdrawal in 2020?

This waiver of the 10% penalty is retroactive to January 1, 2020, so if you had taken a distribution from your retirement plan earlier in the year that had been subject to the penalty it will now qualify for this waiver.

Do I have to meet the required minimum distributions this year?

Required minimum distributions (RMDs) from IRAs, 401(k)s, 403(b)s and other retirement plans have been suspended for 2020. The waiver includes RMDs for those who reached age 70½ and who would be required to take their first RMD by April 1 of 2020. This waiver also includes RMDs from inherited IRAs for 2020.

What if I've already taken the required minimum distributions for 2020?

One option is the 60-day rollover rule as applied to IRAs. If you took your 2020 RMD within the past 60 days, you could redeposit it into the IRA with no tax consequence. If more than 60 days have passed, your RMD must be met for 2020.

It's also important to note that the 60-day rule can only be used once within 12 months. Those who have taken their RMD from an inherited IRA will not be able to take advantage of this as it does not apply. The 60-day rule is complex, be sure to consult with your financial adviser, or with your IRA custodian to ensure you execute this type of transaction correctly.