# CARES Act: Retirement Playbook

Between the recent market volatility and the heightened health and safety concerns that many people are experiencing, it's natural that investors have questions about their retirement accounts. That's not always easy to navigate – even under normal circumstances. Jacobi Capital Management is here to make sure you're armed with all the information you need to navigate your questions and concerns.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was recently signed into law to assist businesses and steer the economy in the right direction. The CARES Act contains provisions that both affect retirement plans and encourage charitable giving by allowing taxpayers to deduct up to 100% of their adjusted gross income for cash contributions to qualified charities.

One of the many benefits of the CARES Act is that it makes it easier for workers to access retirement savings. It is not expected that this relief alone will put people in a secure place, but it is able to help. With the CARES Act in place, we've outlined what the changes mean.

## 1 Required Minimum Distributions

The CARES Act waives all required minimum distributions (RMDs) from retirement accounts for 2020. This includes traditional IRAs, SEP IRAs, and SIMPLE IRAs, as well as 401(k), 403(b) and Governmental 457(b) plans. It is a true waiver and the distributions do not need to be made up next year.

### WHAT DOES IT MEAN?

This means that people can leave their retirement accounts alone for another year. Many retirement accounts may have seen a decline in value due to market volatility and uncertainty during the beginning of the year after high balances at the end of 2019 (when RMDs would have been calculated), and this provision allows their accounts the time to recover. This relief applies to both retirement account owners, themselves, as well as to beneficiaries taking such distributions.

We aren't sure if RMDs already taken in 2020 can be put back into an account. We are waiting for IRS guidance on this matter. In 2009, the last time there was RMD relief, the IRS allowed RMDs already taken to be put back into retirement accounts and there is arguably a stronger case now for such provisions.

Additionally, the Qualified Charitable Distributions (QCDs) allow someone age 70 ½ to send up to $100,000 from an IRA to a qualified charity and have that amount offset any RMDs for the year and not be treated as a taxable distribution.

*Note: Since the required date for RMDs is 72, if someone uses a QCD at age 70 ½, they would not be able to offset any RMDs because none are owed yet.*

**WHAT YOU SHOULD KNOW?**

If you already took your RMD, it can be rolled over to an IRA or eligible retirement plan (unless you are a beneficiary who inherited the IRA). This is limited to one 60-day rollover per 12-month period. However, if you took your RMD in January, the IRS has stated you can't roll it back to a plan or an IRA, as the 60-day window has passed. If you took your RMD between February 1 and May 15, you have until July 15 to roll it back.

## 2 Plan Withdrawals and Loans

The CARES Act allows individuals to withdraw a total of up to $100,000 from retirement accounts such as a 401(k) or an IRA account without having to pay a 10% penalty if they are under age 59, as well as increased access to retirement plan loans. The early withdrawal penalty is waived until December 31, 2020.

## WHAT DOES THIS MEAN?

To qualify for this relief, you must fall into one of two categories:

- You, your spouse or a dependent is diagnosed with COVID-19.
- You have suffered financial consequences as a result of the pandemic. These might include reduced income from being quarantined or furloughed, having their hours reduced, being unable to work due to childcare issues or other issues beyond their control arising out of this situation.

This waiver of the 10% penalty is retroactive to January 1, 2020, so if you have 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.

### Hardship Withdrawals

While the distribution will still be subject to taxes as with any retirement account distribution, the tax liability can be spread out over the next three years. Additionally, you will be able to "recontribute" the money back into the account over the next three years to avoid some or all of the taxes. These contributions can be made without regard to the normal plan contribution limits.
The 72(t) Exception is a new exception to the 10% early withdrawal penalty tax under code section 72(t) for those who take retirement distributions prior to age 59½.

### Plan Loans

The CARES Act doubles the current retirement plan loan limits to the lesser of $100,000 or 100% of a qualified individual's vested account balance in the plan. This increased loan amount is available for loans made during the 180-day period beginning on the date of enactment. In addition, the Act extends the due date of any qualified individual's loan repayment that would otherwise be due during 2020 (but on or after the date of enactment) to one year after the otherwise applicable due dates.

*Note: Not all retirement plans will allow these COVID-19 withdrawals or loans, so check with the plan administrator in the case of an employer-sponsored retirement plan like a 401(k) to see if plan offers these options.*

## JACOBI CAPITAL IS HERE FOR YOU

During these unprecedented times, Jacobi Capital is ready to help.

- Do you have any questions about the CARES Act?
- Do you need additional help beyond these tools and resources?
- What other information could help you?

We value your opinion and want to hear from you. Visit our **Jacobi Media Center** for more educational materials, or give us a call at 570-826-1801.