

Coronavirus Aid, Relief and Economic Security (CARES) Act

DISTRIBUTIONS

Ideally, your money would stay in your retirement account until you retire. Realistically, there may come a time when you need to access your retirement funds early to pay for extraordinary emergency expenses.

Cares Act Distribution

In the wake of the novel coronavirus, COVID-19 pandemic, the president signed into law the Coronavirus Aid, Relief and Economic Security (CARES) Act that allows 'qualified individuals' the ability to take a new penalty-free retirement account distribution.

The maximum distribution amount you are allowed to take is \$100,000 regardless of whether you participate in one retirement plan or multiple plans. If your plan allows, this distribution is available until Dec 31, 2020.

Distribution Requirements

To be eligible for the CARES Act Coronavirus-related distribution (CRD) from your retirement plan, your plan must offer this provision, and you must meet any one of the following:

- Diagnosed with COVID-19
- Have a spouse or dependent(s) diagnosed with COVID-19
- Experience adverse financial impact due to quarantine, furlough, layoff, reduced work hours or inability to work for childcare-related issues due to COVID-19
- Faced with other COVID-19-related factors as determined by the Secretary of the Treasury

You must certify that you are a 'qualified individual' and eligible for a CRD.

If you are a 457(b) tax-exempt plan participant, you are required to show that the emergency expenses could not otherwise be covered by insurance, liquidation of assets or cessation of deferrals under the plan.

Distribution Considerations

Here are some things to consider before taking a CRD from your retirement account.

- Your retirement plan account is meant to provide retirement income. It should be a last resort source of cash for expenses.
- You will need to pay taxes on the amount withdrawn and not paid back.
- You may miss out on the growth opportunity of the money you withdraw. The amount you withdraw affects what is available to invest for retirement.
- You may owe a tax to your State which includes an early withdrawal penalty.

Distribution Repayments & Income Taxes

If you are eligible and take a CRD, you may repay these distributions within three years beginning the date of the distribution. You will be able to get a refund of any Federal income tax paid on the amount of the CRD you repay.

You will be required to pay income taxes on any portion that is not repaid. You do have a three-year time span beginning the date of the distribution to complete the tax payment.

Distribution next steps

Fees, limits, terms, and requirements for distributions vary from plan to plan. You should carefully consider the risks, tax implications, retirement investing consequences, and all other available options before taking a distribution. If you are eligible and wish to take a CRD, please contact the plan sponsor (your employer) to see if your Plan has adopted the CARES Act provisions, and to request the CRD.

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