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Coronavirus Aid, Relief and Economic Security (CARES) Act

LOANS

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 Loan

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 increase the limit available for loans issued between March 27, 2020, and Sept 23, 2020. The increased limit of a new loan may be up to 100% of your vested account balance or $100,000, whichever is less.

Additionally, if you are a 'qualified individual', the repayment period of your new or existing loan may be extended up to a year.

Loan Requirements

To qualify for the CARES Act Coronavirus-related loan (CRL) from your retirement plan, your plan must offer this provision, and you must meet any one of the following criteria:

- 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 CRL.

Loan Considerations

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

- Your retirement plan account is meant to provide retirement income.
- You may miss out on the growth opportunity of the money you withdraw.
- Your account balance may be irreversibly diminished if you don't pay the loan back.

Loan Repayments

If you are a 'qualified individual' based on the criteria defined, any loan payments due between March 27, 2020, and December 31, 2020, can be deferred up to one year. Please note the following:

- Interest will continue to accrue and will be added to the loan balance once repayments begin.
- The "term" of the loan is also extended for the period of payment suspension.

Example: Your original five-year loan was due November 30, 2020. You chose to defer payments for a year under the CARES Act provision. Now, your six-year loan will be due by November 30, 2021. You are responsible to pay the extra year's interest and loan amount by November 30, 2021

If you are not able to pay back the remaining balance during the specified loan repayment period, or you change employers and are not able to pay it back at that time, the outstanding loan amount will be considered a "distribution" from your account. **You would have to pay taxes and possible penalties on the amount you still owe.**

Loan Next Steps

Fees, limits, terms, and requirements for loans vary from plan to plan. You should carefully consider the risks, tax implications, retirement investing consequences, and all other available options before taking a loan. If you are eligible and wish to take a CRL, please contact the plan sponsor (your employer) to see if your Plan has adopted the CARES Act provisions, and to apply for a CRL. Please also contact your employer if you are eligible and wish to suspend your loan payments temporarily.

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