



The COVID-19 pandemic has made its impact throughout the United States. Not only has it had a significant effect to the economy, it has changed nearly every Americans' way of life. It has most definitely made its mark on your company, which may present serious financial difficulties for your employees.

On March 27, 2020, the Coronavirus, Aid, Relief and Economic Security (CARES) Act was signed into law. In addition to the stimulus aid for businesses and families, the Care Act provides provisions for plan sponsors to assist participants dealing with the financial impact of the COVID-19 pandemic. The provisions are immediately available in the form of expanded plan distributions and loan options. Plans, not currently allowing in-service withdrawals or participant loans, may implement the provisions and adopt plan amendments retroactively.

Participants taking advantage of the coronavirus relief provisions, whether a distribution and/or a loan, must be a Qualified Individual.

## A QUALIFIED INDIVIDUAL IS:

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Participants who are diagnosed with COVID-19;

Participant's spouse or dependent who are diagnosed with COVID-19; and

Participants who experience adverse financial consequences as a result of:

- > Being quarantined
- > Being laid off
- > Being furloughed
- > Having work hours reduced
- > Being unable to work due to lack of childcare caused by COVID-19
- > The closing or reducing of hours of a business owned or operated by an individual due to COVID-19.

The plan sponsor may rely upon the participant's certification he/she meets the criteria to be considered a Qualified Individual.

## RELIEF PROVISIONS INCLUDE:

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### Coronavirus - Related Distribution

Available only to a **Qualified Individual**;

A distribution from an eligible retirement plan, including IRA's as well as 401(k), 403(b), and governmental 457(b) plans;

Maximum amount is \$100,000. The total of all distributions from retirement plans including IRAs cannot exceed the \$100,000.00 limit;

Must be distributed by December 31, 2020;

The distribution has special tax treatment:

- > Exempt from the 10% early withdrawal penalty applicable to participants under the age of 59½;
- > Not subject to 20% mandatory tax withholding. However, **Qualified Individuals** should be provided with a withholding election as part of the distribution process. These monies are not eligible for a direct rollover;
- > Included in gross taxable income. However, the participant has the option to spread the taxable income ratably over three years beginning with the year of distribution; and
- > Can be repaid, in part or in full, to a qualified plan or IRA accepting rollovers within three years of the date of the distribution.

**This is an optional provision the plan sponsor must agree to offer.**

### Coronavirus - Related Loan Relief

Available only to a **Qualified Individual**;

Loan value is increased to the maximum of \$100,000.00 or 100% of the vested account balance;

Increased maximum loan value applies to loans taken from March 27, 2020 through September 22, 2020 by a **Qualified Individual**;



## RELIEF PROVISIONS CONT:

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Includes the suspension of a **Qualified Individual's** loan payments due between March 27, 2020 and December 31, 2020 for one year:

- > Loan will not default during this period as a result of the suspension of payments.
- > When payments resume, the loan must be re-amortized to reflect the interest accrued during the suspension period.
- > The five-year mandatory repayment period will be extended for one year.

**This is an optional provision the plan sponsor must agree to offer.**

## Waiver of Required Minimum Distributions (RMDs)

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Under current law, individuals at age 72 must take an RMD from their DC plans and IRAs. The CARE Act provides relief from the required minimum distribution rules.

RMDs may be waived for calendar year 2020 for 401(k), 403(b), 457(b), and IRA plans, to prevent affected participants from liquidating investments that have declined in value due to the pandemic.

RMDs, paid in 2020, may be rolled to an IRA or employer plan that accepts rollovers if rolled within 60 days of distribution.

RMDs, payable during 2020, still may be requested by participants if the plan allows in-service withdrawals. Please note these will be considered eligible rollover distributions and will be subject to the 20% mandatory tax withholding.

**This is not an optional provision and does not apply to defined benefit plans.**

## Defined Benefit Plan Relief

Single-employer funding obligations due during 2020 are not required to be made until January 1, 2021 with interest for late payments.

## Plan Amendments

The legislation further permits retirement plans to adopt these rules immediately, even if the plan does not currently allow for hardship distributions or loans, provided the plan is amended on or before the last day of the first plan year beginning on or after Jan. 1, 2022.

**Acumen Wealth Advisors remains a resource for you and your employees. We are here to help in this time of uncertainty. We encourage you to call us at 423-825-4796 with any questions you may have.**

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