



## **CARES Act (Coronavirus Aid, Relief and Economic Security Act)** **Retirement Plan and other Savings Plans Related Provisions**

The American Retirement Association (ARA) facilitated a webinar on March 30, 2020 to provide retirement plan and other savings plan updates provided in the [CARES Act](#) (Coronavirus Aid, Relief and Economic Security Act) that was signed on Friday (3/27/2020). The ARA is the advocacy group that takes retirement related topics and issues to the White House. A lot of the retirement plan related provisions in the [CARES Act](#) stemmed from a letter the ARA wrote to the White House.

Notes from this webinar are below. I truly hope this information assists your organization with any retirement plan related concerns you and/or your employees may have with regards to financial stability right now.

NAPA and ASPPA (American Society of Pension Professionals and Actuaries) took a survey last week of retirement plan advisors, consultants and administrators. 76% of the survey respondents have clients concerned about retirement plan contribution funding and are considering retirement plan termination. 32-40% of their clients would be candidates for terminating plan which equates to over 200,000 company's retirement plans!

### **Coronavirus Related Distribution:**

- Participants in your retirement plan can take an additional distribution from your organization's retirement plan **IF** you prefer to allow this feature because it is optional to offer
- Up to \$100,000 maximum
- Not subject to 10% tax penalty
- Not subject to 20% tax withholding
- Taxes owed over 3-year period if the participant chooses to pay this way versus the withholding method
- Use this distribution option on top of the current retirement plan distribution options (if you have loans and/or hardship distribution feature)
- Can offer feature immediately but your retirement plan has to be amended to offer this distribution feature by 12/31/2022
- To be approved for this distribution the participant must have one of the following events on or after the date of the enactment of this Act and before December 31, 2020:
  1. The participant has the coronavirus
  2. Spouse or dependent has the coronavirus
  3. Anyone who experiences adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced due to such virus or disease, being unable to work due to lack of child care due to such virus or disease, closing or reducing hours of a business owned or operated by the individual due to such virus or disease, or other factors as determined by the Secretary of the Treasury (or the Secretary's delegate).

### **Loans:**

Can take a loan up to 6 months after the enactment (3/27/2020) that allow for:

- Deferred loan payments up to one year, push out amortization for 1 year, no interest until 1 year
- Only apply to employees who qualify for virus related conditions (above)
- Double the loan limit to \$100,000

**Separation of Employment due to layoff=loan repayment**, but this legislation is allowing 1 year for loan to be repaid



**2020 Required Minimum Distribution (RMD) requirements:**

Waiving 2020 Required Minimum Distribution (RMD) requirements for all qualified retirement plans (401(k), 401(a), 403(b), IRA)

**Student Loans:**

Section 2206 of the CARES Act extends Code Section 127 (which currently allows for tuition reimbursement up to \$5,250/year) to apply to student loan repayments for employees, with no tax implications.

**Health Savings Accounts, Flexible Spending Accounts, Health Reimbursement Accounts:**

Expand deadline to make contributions, expanded what's covered under the plans, pre-deductible covered

**Defined Benefit and Money Purchase Plans:**

Delay in contribution deadlines to January 1, 2021

Required to pay the interest

There are many more benefits outlined in the Cares Act, so please review them to learn of other important provisions that may apply to you or your organization.

The ARA is advocating for additional retirement plan relief and I will be sure to send them your way if/when they are passed. Please reach out to me if I can be a resource for you and your retirement plan benefit.

Be safe and well!

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