

PLAN SPONSOR FAQs

CARES Act: What You Need To Know

The Coronavirus, Aid, Relief and Economic Security (CARES) Act was passed on March 27, 2020.

What are my options as a Plan Sponsor?

You have many options:

1. Add the option for participants to receive up to \$100,000 in a tax-exempt approved COVID-19 distribution.
2. Add the option for participants to receive an increased loan amount or extend their existing loan payments for an additional year.
3. Add the option for participants to delay their RMDs.
4. Add none.
5. Add all.

How do I add any or all options for my participants?

Go [here](#) and download the one-page CARES Act Plan Change Form. Fill out, sign, and upload via the submission link on the same page.

Will RPC assist in notifying my participants of their options?

Yes, as part of your pre-amendment, we can assist with sending an email notification to all of your participants.

PARTICIPANT DISTRIBUTION OPTIONS:

Are participants able to take an otherwise unavailable distribution as a result of COVID-19?

Yes, if you amend your plan to allow, your participants (if eligible) may withdraw up to \$100,000 through December 31, 2020.

Who is eligible for this withdrawal?

To be eligible the participant, their spouse or a dependent must be diagnosed with a coronavirus illness, or experience adverse financial consequences as a result of a quarantine, furlough, lay-off, reduction in work hours, business closure, the lack of child care, or other factors determined by the IRS due to the virus.



What are the tax consequences for an approved COVID-19 distribution?

They are exempt from the 10% early withdrawal penalty and the mandatory 20% federal tax withholding is not required. The amount of the withdrawal will be taxable income over the next 3 tax years unless the participant chooses to pay the taxes when taking the distribution or in fewer than 3 years.

Are the funds withdrawn subject to repayment to the account?

No, but the participant may opt to repay the funds over the next three years to any qualified retirement plan. Any amount not repaid is considered taxable (see prior question).

Are the loan limitations still the same?

No, you can allow for increased loan amounts. The increased amount is available to loans taken on or before September 23, 2020 and is the lesser of \$100,000 or the participant's fully vested balance.

Are participants still required to make loan payments?

No, if you allow for delayed loan payments, any participant payment due between March 27, 2020 and December 31, 2020 may be extended up to one year. Interest will accrue, but loans can be extended and reamortized.

Are participant RMDs (Required Minimum Distributions) still required in 2020?


No, they will not be required to take a 2020 RMD specifically:

- If they turned 70.5 prior to 2019, they will not be required to receive an ongoing RMD for 2020.
- If they turned age 70.5 in 2019 and did not receive their first RMD for 2019 on or before January 1, 2020 then they will not have to receive their first (2019) RMD or their 2020 RMD.
- Beneficiaries receiving life expectancy payments will not be required to receive their 2020 beneficiary RMD.
- Beneficiaries who have an account balance in the plan subject to the five-year distribution rule may extend their required distribution by one year (full distribution of the account must be made by the 6th anniversary of the participant's death).

RETIREMENT PLAN

C O N S U L T A N T S



 877-800-1114

 retirementplanconsultants.net