

THE CARES ACT IMPACT ON RETIREMENT PLANS

What employers need to know about the Coronavirus Aid, Relief and Economic Security Act

WHO IS ELIGIBLE?

- the **individual** diagnosed with COVID-19
- the individual with a **spouse or dependent** that has been diagnosed with COVID-19
- the individual who has suffered adverse financial consequences due to COVID-19
 - > furlough, a reduction in hours, the inability to work due to childcare, loss of business, etc.

PLAN LOANS

If allowed by the plan, participants may take a plan loan for the lesser of \$100,000 or 100% of the vested account balance

	ALEX	JORDAN
401(k) Balance	\$150,000	\$35,000
CARES Act Allotment	\$100,000	100%
Eligible Loan Amount	\$100,000	\$35,000

WITHDRAWALS

Special provisions available through the CARES Act

- waives 10% early withdrawal penalty tax
- not subject to 20% federal tax withholding
- payback within 3 years to avoid some penalties
- spread the inclusion of income from distributions over 3 years

LOAN REPAYMENT

Scheduled repayments and any accrued interest for existing loans can be delayed until 12/31/2020

WAIVED RMDs

Participants age 70½ and older can waive Required Minimum Distributions for 2020 calendar year

If your plan does not allow loans, you can amend your plan to allow for the new option(s). However, **plans do not have to offer the expanded Coronavirus-related distribution or loan options.** *This is a fiduciary decision and should be considered thoughtfully.*

CARES ACT FAQs



COMMON EMPLOYEE QUESTIONS

In addition to the new ways to access retirement plan accounts, many employees are going to have questions about other CARES Act changes.

HOW MUCH CAN I EXPECT FROM THE CORONAVIRUS STIMULUS CHECK AND WHEN WILL IT ARRIVE?

Employees who earn under \$75,000 per year should receive a \$1,200 stimulus check. Employees earning up to \$99,000 will receive a reduced stimulus check. The payments are reduced by \$5 for every \$100 in income above \$75,000. Additionally, for employees with children, each child may add another \$500 to the stimulus check. The stimulus checks are anticipated to arrive in April.

DOES THE CARES ACT INCLUDE STUDENT LOAN RELIEF?

Yes, if the employee has federal student loans, they can pause payment for the next six months (through September 30, 2020) and during this time interest is waived. Also, as an employer, under the new CARES Act, you may contribute up to \$5,250 annually toward your employee's student loans, and that amount would be excluded from their income.

HOW HAVE HEALTH SAVINGS ACCOUNTS CHANGED?

The CARES Act has increased access to telehealth networks and expands the list of qualifying expenses. It best to contact your HSA provider for specifics.

We are here to keep you updated and informed. Don't hesitate to reach out with questions or more information.



PWMSG 401(k) Advisors

11 Foster Street, Suite 200
Worcester, MA 01608

OFFICE: (877) 712-2263

FAX: (508) 519-0285

WEB: www.pwmg401k.com

EMAIL: info@pwmgllc.com

Securities and advisory services offered through LPL Financial a registered investment advisor, Member FINRA/SIPC.

This information was developed as a general guide to educate plan sponsors and is not intended as authoritative guidance or tax/legal advice. Each plan has unique requirements and you should consult your attorney or tax advisor for guidance on your specific situation.

© 401(k) Marketing, LLC. All rights reserved. Proprietary and confidential. Do not copy or distribute outside original intent.