

403(b) Newsletter



IMPORTANT CARES ACT DISTRIBUTION INFORMATION THROUGH DECEMBER 31, 2020

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, is a law intended to address the economic fallout of the COVID-19 pandemic in the United States. Employees may take a Coronavirus-Related Distribution or Loan based on the following events:

- is diagnosed, or whose spouse or dependent is diagnosed, with the virus SARS-CoV-2 or the coronavirus disease 2019 (collectively, “COVID-19”) by a test approved by the Centers for Disease Control and Prevention (including a test authorized under the Federal Food, Drug, and Cosmetic Act); or
- experiences adverse financial consequences as a result of the individual, the individual’s spouse, or a member of the individual’s household (that is, someone who shares the individual’s principal residence):
 - being quarantined, being furloughed or laid off, or having work hours reduced due to COVID-19;
 - being unable to work due to lack of childcare due to COVID-19;
 - closing or reducing hours of a business that they own or operate due to COVID-19;
 - having pay or self-employment income reduced due to COVID-19; or
 - having a job offer rescinded or start date for a job delayed due to COVID-19.
- Other qualifying events may include:
 - A participant whose pay or self-employment income is reduced due to the pandemic, or who has had a job offer rescinded or a new job’s start date delayed due to COVID;
 - A business owned or operated by the participant’s spouse or a member of the participant’s household has closed or reduced hours.

CARES ACT Coronavirus-Related Distribution Information:

- Distributions between 1/1/2020-12/31/2020
- Maximum withdrawal amount is \$100,000 per individual
- The CARES Act waives the 10% early withdrawal penalty and 20% withholding for coronavirus related distributions of up to \$100,000 across all qualified retirement plans
- Income taxes can be paid over a 3-year period unless the individual elects otherwise

- Does not have to meet other distributable events under plan (59 1/2, severance from employment, etc)

May I repay a coronavirus-related distribution?

- In general, yes, you may repay all or part of the amount of a coronavirus-related distribution to an eligible retirement plan, provided you complete the repayment within three years after the date that the distribution was received. If you repay a coronavirus-related distribution, the distribution will be treated as though it were repaid in a direct trustee-to-trustee transfer so that you do not owe federal income tax on the distribution.

CARES Act Related Loan Information:

The eligible maximum loan limits have increased from 50% of vested account balances up to \$50,000, to 100% of vested account balances up to \$100,000. Collateralized loan limits will be lower. Your employer's plan must allow loans, and you must meet a coronavirus-related eligibility requirement to take this type of loan. The deadline to request a loan for the increased amount due to the CARES Act is September 22, 2020.

- If a loan is outstanding on or after March 27, 2020, and any repayment on the loan is due from March 27, 2020, to December 31, 2020, that due date may be delayed under the plan for up to one year.

Required Minimum Distributions:

- Required Minimum Distributions (RMDs) from IRAs, 401(k)s, 403(b)s and other retirement plans have been suspended for 2020.
- The age for required minimum distributions will increase from 70½ to 72.
- The Cares Act that passed in late March 2020 in response to COVID-19, gives taxpayers the option not to take an RMD in 2020. If you don't need the money this year, you can hold off on an RMD until next year.
- If you turn 70½ in 2020 or later, you won't have to take an RMD until you reach age 72 or retire

Please contact First Financial Administrators, Inc for additional information. 800.523.8422