Coronavirus Update & Retirement Account Rule Changes Under the CARES Act

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Coronavirus Update

Brad McMillan, Commonwealth's Chief Investment Officer, looks at where we are in the coronavirus crisis, including the economic and market implications. As the virus continues to move across the country, we can expect April to be a tough month. At the same time, there has been some positive news regarding the pandemic itself. The spread rate has dropped significantly over the past week, demonstrating the measures we've put in place seem to be working. But on the economic side, the news is not so good. We've lost more than 16 million jobs in the past three weeks. On top of that, both businesses and consumers have started to pull back. Fortunately, government programs are now being implemented, which may help mitigate the damage in the weeks ahead. So, how have the markets reacted to all of this news? Tune-in to find out.

I hope you find today's video informative.

Retirement Account Rule Changes Under the CARES Act

For many Americans, the novel coronavirus (COVID-19) pandemic has resulted in an immediate need for funds that can provide financial stability. In response, lawmakers have lessened financial burdens through stimulus legislation that includes several temporary rule changes to retirement account withdrawals.

Let's look at some of the changes-and how you can access your retirement funds if you are experiencing financial distress.

CARES Act May Provide Short-Term Relief
Signed into law on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) is an unprecedented $2.2 trillion relief package that includes provisions (described below) allowing for the temporary relaxation of several key retirement account rules.

A waiver of the 10 percent early withdrawal penalty for retirement account distributions. The CARES Act waives the 10 percent early withdrawal penalty tax normally assessed on pre-age 59½ withdrawals, up to $100,000, across all retirement plan or IRA accounts, if you meet at least one of the following criteria:

- You have been diagnosed with COVID-19.
- Your spouse or dependent has been diagnosed with COVID-19.
- You face adverse financial circumstances arising from COVID-19, including, but not limited to, being quarantined, having work hours reduced, being laid off, or being unable to work because of a lack of childcare.

Further, if you receive a distribution for the reasons above, you may waive the 20 percent mandatory federal tax withholding. You may roll the distributed amount back into your retirement plan or IRA within three years from the date the distribution was taken. If you choose not to return the funds into a qualified account, you will owe taxes on the distributed amount (which also can be repaid over three years).

Increased retirement plan loan maximums.
If you are affected by COVID-19; meet one of the criteria above; and your employer allows you to take a loan from your 401(k), 403(b), or other retirement plan account, you may take the lesser of $100,000 or 100 percent of your vested account balance (a significant increase from the 50 percent of your vested account balance, up to a maximum of $50,000, under normal rules). If you take a loan between March 27, 2020, and December 31, 2020, you may delay the loan repayment for up to one year.

A temporary waiver of required minimum distributions (RMDs).
Generally, when you turn 72 (or 70½ if you reached that age on or before December 31, 2019), you must take an RMD from your IRA, 401(k), 403(b), or other qualified retirement plan account. If you were required to take an RMD in 2020 (either from your own IRA or defined contribution plan account or as a beneficiary taking life-expectancy payments), the CARES Act waives that requirement. How can you benefit?

Because RMDs are calculated on your account value at the end of the previous year-when account values were likely significantly higher than they are in current depressed market conditions-not taking an RMD in 2020 could allow you to avoid withdrawing an inflated amount and paying a bigger tax bill.

Guidance for Your Retirement Account
Under normal circumstances, withdrawing retirement funds is not recommended; however, given the effect of the COVID-19 pandemic on the financial security of millions of Americans, you may turn to retirement accounts to keep you afloat. We can help guide you through this difficult time and determine whether removing funds from your retirement account makes sense for you.

My staff and I deeply appreciate the continuing opportunity to work with you. Please let me know if you have any questions or requests. Thank you.

Sincerely,

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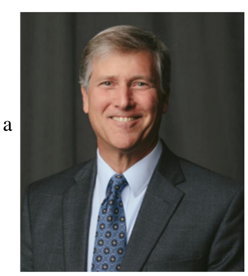

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