

CARES ACT RETIREMENT PLAN OPTIONS

The **Coronavirus Aid, Relief, and Economic Security (CARES) Act** was signed into law on March 27, 2020. As a result of the CARES Act, some relief is available to you through your retirement plan.

SHOULD YOU TAKE A DISTRIBUTION?

The CARES Act distribution options should be considered last resorts. Your retirement plan account is meant to provide retirement income. By taking money from your retirement account, your balance drops and earns less from investment returns and compound interest. You may also miss out on the potential upside as the market recovers. If possible, utilize other sources of income or draw from your emergency savings fund before taking money from your retirement account. **To discuss your financial situation, call the Shepherd Financial team at 844.975.4015.**

ELIGIBLE PARTICIPANTS

To be considered an eligible participant, you must meet one of the following qualifications:

- You, your spouse, or a dependent have been diagnosed with virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention.
- You have experienced adverse financial consequences due to a quarantine, furlough, layoff, reduction in work hours, business closure, or are unable to work because of a lack of childcare due to the coronavirus emergency.

CORONAVIRUS-RELATED DISTRIBUTIONS

Plans may permit in-service coronavirus-related distributions from an eligible participant's vested account balance without regard to normal hardship withdrawal restrictions. This relief is offered through December 31, 2020. These distributions are subject to the following requirements:

- Limited to a maximum of \$100,000 from an eligible retirement plan
- Not subject to 20% mandatory withholding
- Exempt from 10% early withdrawal penalty
- Remains taxable income subject to ordinary taxes based on the individual's filing status
- Can be indirectly rolled into an individual retirement account (IRA) or employer plan within three years from the date the distribution is taken
- For amounts not indirectly rolled into an IRA or employer plan, taxes may be paid in the year of distribution or spread ratably over three tax years

LOANS

Two types of loan relief are available:

- 1) Plans may allow eligible participants to take loans up to the lesser of \$100,000 or 100% of the participant's vested account balance through September 23, 2020.
- 2) Upon the request of an eligible participant, loan repayments due on outstanding loans that are in good order may be suspended for a period of up to 12 months. This relief expires on December 31, 2020. Interest will continue to accrue on your loan. Your loan payment amount will be adjusted to reflect the delayed period and interest due when repayments resume.

WAIVER OF 2020 REQUIRED MINIMUM DISTRIBUTIONS

Participants and beneficiaries will be provided the following required minimum distribution (RMD) relief. Any RMDs from employer retirement plans that are otherwise required during calendar year 2020 are waived. This includes a participant's initial RMD that is due by April 1, 2020. If a participant has already taken an RMD for 2020, he or she is eligible (though not required) to roll that amount to an IRA or back into the plan to defer the taxes even though RMDs are not usually eligible to be rolled over. This relief is across the board for all participants and does not require them to fit into one of the above criteria to be eligible.

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