



## **Tapping 401k & Retirement Plan Assets During The Crisis - Retirement Planning**

Provisions initiated by the CAREs Act, allows for the withdrawal of retirement plan assets with waived penalties and minimized tax liabilities. During the current tax year, retirement account owners will be able to withdraw funds from 401k plans, tax deferred plans, and IRAs without any penalties. Loan limitations on company sponsored 401k plans will also be relaxed, allowing employees to take larger loan amounts. Required Minimum Distributions (RMD)s are also being waived for 2020 distributions.

Section 2202 under the CAREs Act enacted on March 27, 2020, provides for special distribution options and rollover rules for retirement plans and IRAs. Under the revised rules, IRA owners and retirement plan participants are allowed to withdraw up to \$100,000, but must meet certain criteria to qualify. The IRS notes the following as criteria to meet:

You are diagnosed with the coronavirus (COVID-19).

Your spouse is diagnosed with the coronavirus (COVID-19).

You experience adverse financial consequences as a result of being quarantined, furloughed, laid off, or having reduced work hours all due to COVID-19.

Unable to work due to a lack of child care as result of COVID-19.

Experience adverse financial consequences as a result of closing a business or loss of hours as a result of COVID-19.

Distributions from IRAs and qualified plans will have the 10% penalty waived but are still taxed at the individual owner's corresponding tax rate. Qualified distributions up to the \$100,000 maximum are for distributions made between January 1, 2020 and December 30, 2020. Taxes on distributions may be paid over a three year period starting with the year in which the initial distribution was made.

Distributions may also be repaid back to an IRA or qualified plan over a three year period to avoid any tax consequences.

Source: <https://www.irs.gov/newsroom/coronavirus-related-relief-for-retirement-plans-and-iras-questions-and-answers>