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RETIREMENT PLAN ADVISORS

THE FUTURE IS BETTER THAN YOU THINK

CARES Act Distributions for Those Impacted by COVID-19

Who qualifies for a financial lifeline?

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provides options and favorable tax treatment for up to \$100,000 of coronavirus-related distributions from eligible retirement plans to qualified individuals. It also increases the limit on the amount a qualified individual may borrow from an eligible retirement plan (not including an IRA). And permits a plan sponsor to provide qualified individuals up to an additional year to repay their plan loans.

A coronavirus-related distribution is a distribution that is made from an eligible retirement plan to a qualified individual from January 1, 2020, to December 30, 2020, up to an aggregate limit of \$100,000 from all plans and IRAs. The 10% additional tax on early distributions does not apply to any coronavirus-related distribution.

The distributions generally are included in income ratably over a three-year period, starting with the year in which you receive your distribution. For example, if you receive a \$9,000 coronavirus-related distribution in 2020, you would report \$3,000 in income on your federal income tax return for each of 2020, 2021, and 2022. However, you have the option of including the entire distribution in your income for the year of the distribution.

Please note: An employer must elect to participate in this program. It is not automatic. If you or your employer have questions, RPA can provide the answers.

YOU ARE A QUALIFIED INDIVIDUAL IF:

- You are diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention;
- Your spouse or dependent is diagnosed with SARS-CoV-2 or COVID-19 by a test approved by the Centers for Disease Control and Prevention;
- You experience adverse financial consequences as a result of being quarantined, being furloughed or laid off, or having work hours reduced due to SARS-CoV-2 or COVID-19; or
- You experience adverse financial consequences as a result of closing or reducing hours of a business that you own or operate due to SARS-CoV-2 or COVID-19.

SECTION 2202 OF THE CARES ACT EXPANDS THE QUALIFICATIONS TO INCLUDE INDIVIDUALS WHOSE:

- Pay was reduced because of COVID-19, including self-employment income;
- Job offer was rescinded or postponed; or
- Spouse or other household member (someone who shares the individual's principal residence) experiences a COVID-19-related adverse financial consequence.

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

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