



Education in Personal Money Management

Coronavirus – Covid-19: Effect on Retirement Accounts

- **Required Minimum Distributions (RMD):** For the calendar year 2020, no one will have to take an RMD from any Individual Retirement Accounts (IRA) or employer sponsored retirement savings plans, like a 401(k). That way, you aren't forced to sell investments that may have gone down in value, which would lock in losses. If you don't need the money now, you can let the investments sit and wait for the recovery.
- **Taking money out of IRA or employer sponsored retirement plan before age 59 ½:** Usually you must pay a 10% penalty in addition to the income tax on money you take out of one of these plans before reaching age 59 ½. Now however, you can withdraw up to \$100,000 this year without the usual 10 percent penalty, if it is because of the outbreak.

You will also be able to spread out any income taxes that you owe on this withdrawal over three years from the date you took the distribution. And you can put the money back into the account before those three years are up, even though the rules have an annual limit on the amount you can contribute to the plan.

This rule only applies to coronavirus-related withdrawals. You qualify if you or a spouse tested positive or if you experienced other negative economic consequences related to the pandemic. Employers can allow workers to self-certify that they are qualified to withdraw money from a workplace retirement account.

- **401(k) Loans:** You can still borrow from a 401(k) or other employer sponsored retirement plan. And you can take out twice the current maximum amount which is \$50,000. For 180 days after the bill passed, which was March 27, 2020, you can take out a loan of up to \$100,000 with certification that you've been affected by the pandemic. Usually you can't take out more than half your balance up to the \$50,000 limit. But that rule is suspended. If you already have a loan and were supposed to finish repaying it before Dec. 31, you get an extra year.

This recap is only meant to be a summary. More information will come out as time goes on and we will try to keep you updated.

Source: Many sources and Financial Awareness Institute

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