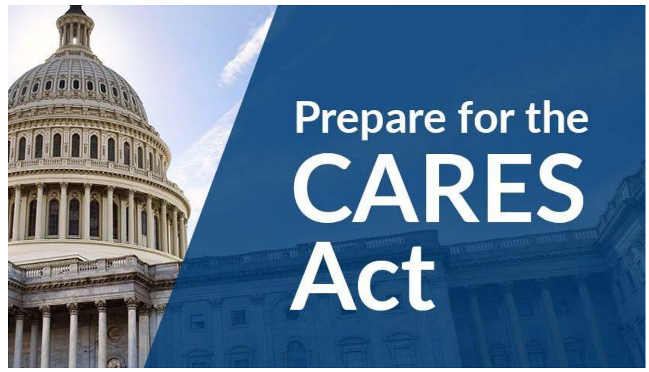
STANLEY BENEFITS

Visit Our Website

HOW the CARES ACT Can Change Your Retirement Plan

April 2020



As you have heard, Congress passed a large stimulus package to combat the economic impact from the spread of the coronavirus. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted on March 27, 2020 and contained several provisions relating to **Defined Contribution Plans, such as 401(k) and 403(b) plans. Generally, these provisions can be added at the election of the Plan Sponsor.**

New In-Service Distribution Option

If a participant certifies that she/he is a "qualified individual," she/he can request a distribution of the vested account balance up to **$100,000 until December 31, 2020**. This distribution is not a "hardship distribution," but an in-service distribution. However, the 10% early withdrawal penalty will not apply for participants who have not attained age 59½. In addition, the amount will generally not be subject to income tax withholding. The individual must include the distribution in taxable income over a 3-year period, unless the amount is repaid.

The amount can be repaid in one or more installments to a retirement plan or an IRA, which accepts rollover contributions, at any time during the 3-year period. Any amount repaid will not be included in taxable income and will be treated as an indirect rollover contribution.

A "Qualified Individual" is a Participant:

1. Who is 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 (CDC), or
2. Whose spouse or dependent is diagnosed with such virus or disease by such a test, or
3. Who experiences adverse financial consequences as a result of:

- being quarantined
- being furloughed or laid off

- having work hours reduced due to such virus or disease
- being unable to work due to lack of child care due to such virus or disease
- closing or reducing hours of a business owned or operated by the individual due to such virus or disease.

New Loan Option

If the retirement plan allows loans (or adds loans), a "qualified individual," as defined above, can request a loan of up to 100% of the account balance, not to exceed $100,000 no later than 180 days after March 27, 2020 (i.e. September 23, 2020).

Suspension of Loans

A "qualified individual," as defined above, who has a current outstanding loan or requests a new loan, can elect to postpone repayment of payments due between **March 27, 2020** and **December 31, 2020** for up to 1 year. Since a qualified individual includes a person who has been laid off, this option could be made available to employees who are terminated. Interest will continue to accrue during any postponement period. However, the normal 5-year maximum period for a loan is extended.

Waiver of RMDs

If a participant was supposed to receive a required minimum distribution from the plan in 2020 due to attainment of age 70½ (or age 72 beginning in 2020), the plan can allow that participant to waive receipt of that amount. If the participant decides to receive the required minimum distribution in 2020, special tax and rollover rules apply.

This waiver applies to 401(k) plans, 403(b) plans and governmental 457(b) plans. This waiver does not apply to 457(b) plans for tax-exempt entities or Defined Benefit Plans.

If you have questions or would like to make changes to your plan, please contact your Analyst at 336.271.4450 or recordkeeping@stanleybenefits.com

---

OUR MISSION

We will make every interaction a positive experience

Sincerely,
The Team at Stanley Benefit Services, Inc.

Contact us to learn about our
HSA, FSA, COBRA and 401(k) Services!

Stanley Benefit Services, Inc.
7800 McCloud Rd., Suite 200
Greensboro, NC 27409

PO Box 8249
Greensboro, NC 27419

Phone: 336.271.4450
Fax: 336.271.4455

[redacted]