



NEW STIMULUS PACKAGE CHANGES CERTAIN PLAN RULES

The president signed the “Coronavirus Aid, Relief and Economic Security Act,” referred to as the CARES Act, into law on March 27. With the stimulus package comes significant changes to retirement plan distributions, loans and required minimum distributions (RMDs). Below are a few of the highlights as you navigate your plan administration.

Certain Penalty-Free Distributions

Employees can take early distributions of up to \$100,000 and have the early withdrawal penalty tax of 10% waived, if the employee or family member is physically affected by the coronavirus. It also applies if an employee experiences consequences such as a layoff as a result of coronavirus. The waiver applies to distributions taken between Jan. 1, 2020 and Dec. 31, 2020. Plan sponsors have to rely on the employee’s certification that he or she meets the criteria. And, if an employee participates in more than one plan sponsored by the employer, the aggregate amount of distributions can’t exceed \$100,000.

Extended Deadline on Tax Payment of Distributions

The mandatory 20% income tax withholding for rollover distributions is suspended between Jan. 1, 2020 and Dec. 31, 2020. In addition, income taxes on a coronavirus-related distribution can be paid over a three-year period. The individual also has up to three years to recontribute the amount to a retirement plan or IRA.

Modified Plan Loan Rules

Again, assuming that the employee qualifies, he or she can take a maximum loan equal to the lesser of \$100,000 or 100% of the employee’s vested account balance before it’s a taxable event. This loan amount is double what has been allowed under the law. And, employees who have outstanding loan balances on or after March 27, 2020, may be able to delay loan repayment for up to a year, regardless



of the five-year repayment period. Future payments will be adjusted to reflect interest accrued for the period of delay, and employees will receive an extension on the term of the length of the loan.

Delayed Pension Plan Contributions

Companies with pension plans can now delay making the minimum contribution to the plan that was originally due in 2020 until Jan. 1, 2021 (accrued interest will also be due).

2020 RMDs Waived

Retirees now have a breather on taking an RMD in 2020. All RMDs are suspended in 2020, including those for 401k, 403b, 457b plans, inherited IRAs and traditional IRAs.

DOL Authority to Extend ERISA Deadlines

Department of Labor (DOL) to postpone certain deadlines related to ERISA Section 518 in the event of a public health emergency declared. Deadlines that

might be affected include Form 5500 filing deadlines and ERISA claim and appeals-related deadlines.

Portfolio Rebalancing Considerations

Many of your participants are in professionally managed portfolios like target date funds, which require no action on the part of your employees. However, those who are selecting their own investments may be concerned given the extreme coronavirus-related market swings taking place over the last two to three weeks and might need to review and rebalance their retirement plan portfolios. Rebalancing means certain asset classes may be over or under allocated as a result of market changes and need to be realigned to help maintain the risk level that match employees' risk tolerance and time frame for retiring.

At Mariner Wealth Advisors, our retirement plan solutions team advises employees to stay the course unless a pre-established deviation in assets has occurred, such as the portfolio has become unbalanced with 80% equities and 20% bonds. Ultimately, consider encouraging employees to have a plan, and stay the course with the plan and rebalance when there is a shift in asset allocation and it makes sense in light of each employee's situation.

Contact Our RPS Team

With all of these legislative changes and ongoing market volatility, you will likely receive questions from your employees about early distributions, loans and rebalancing. Consider contacting the Retirement Plan Solutions team at Mariner Wealth Advisors. We are here to help plan sponsors and employers navigate these rapidly changing circumstances.

Sources:

The Law Firm Review, The Rosenbaum Law Firm, Inc.

["House Passes Coronavirus Stimulus Bill With RMD, 401k Provisions,"](#) 401k Specialist.

["IRA and Retirement Plan Changes in the CARES Act,"](#) forbes.com.

["Coronavirus Induced Market Volatility: Should You Be Rebalancing Your Portfolio?"](#) forbes.com.

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