

Planning impacts of the coronavirus relief legislation

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The Coronavirus Aid, Relief and Economic Security (CARES) Act has been signed into law.

The bill's purpose is to provide relief for those impacted by the coronavirus and the resulting economic downturn. The bill provides individuals with enhanced unemployment benefits, stimulus payments of up to \$1,200 per taxpayer (with limitations), relief to hospitals, as well as relief for small businesses.

There are three notable changes that will impact the personal planning of individuals:

Waiver of RMDs

It waives the required minimum distribution requirement for 2020. RMDs are also waived for IRA owners who turned 70½ in 2019 and must take their 2019 RMD by April 1 of 2020. It does not allow relief for individuals who have already taken their 2019 RMD payment.

Waiver of 10% tax on pre-59½ distributions

Taxpayers under age 59½ can take hardship distributions of up to \$100,000 from qualified plans or IRAs, but not nonqualified annuities, without being charged the 10% premature distribution tax (normal income tax would still apply) for coronavirus related

purposes made on or after January 1, 2020. Income attributable to these distributions can be spread out over a three-year period. The taxpayer may also re-contribute the funds withdrawn to an eligible retirement plan over a three-year period without regard to that year's cap on contributions.

Changes on Loans from Qualified Plans

The annual cap on loans from qualified plans rises to \$100,000 or 100% of the plan, whichever amount is smaller. Currently, plan borrowing is limited to \$50,000 or 50% of the vested account balance, whichever is less.

Please note that this is only a small summary of the CARES Act. The Advanced Consulting Group will have a complete summary published in the coming days.

If you have questions, please contact the Advanced Consulting Group at 800-321-6064, option 9, 677-6500 or advcg@nationwide.com.



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