Wealth Management

The COVID-19 pandemic has turned everyone's world upside down. We want you to know we are doing our best to stay on top of important information that pertains to our clients. The information below was shared from the National Associaton of Plan Advisors (NAPA); we wanted to pass the information along to our customers. You can also access additional information through the IRS.gov website.

Are plan participants impacted by COVID-19 able to access their retirement funds?

Yes, if allowed by the plan, certain participants may withdraw, penalty free, up to $100,000 between Jan. 1, 2020 and Dec. 31, 2020. You still have to pay federal income tax on the distributions, but the tax can be spread out over 3 years.

Who is eligible for these withdrawals?

To be eligible to make such a withdrawal, the individual participant, or his or her spouse or dependent, must have been diagnosed with COVID-19, or the individual suffered adverse financial consequences due to COVID-19 (e.g., furlough, reduction in hours, unable to work due to childcare, loss of business, etc.).

Can a participant who receives a COVID-19 distribution repay the amount into a qualified retirement plan?

Yes, the participant has three years from the day after the distribution was received to repay the amount into a qualified retirement plan (or any other plan or IRA that can accept rollovers). The distribution will be taxable if it's not repaid, but it can be repaid over a three-year period, unless otherwise elected.

Does the plan sponsor need to verify whether an individual qualifies for a COVID-19 withdrawal or loan?

No, the plan sponsor may rely on participant's certification for eligibility.

Have participant loan limits been adjusted?

Yes. If allowed by the plan, the loan limit can be increased to the lesser of $100,000 or 100% of the participant's vested account balance. This only applies to loans made on or before Sept. 23, 2020 (180 days following enactment of CARES) and is only for individuals that meet the same conditions outlined for the withdrawals noted above.

What about outstanding loans?

Subject to plan approval, scheduled participant loan repayments due from March 27, 2020 (the enactment of CARES) through Dec. 31, 2020, may be delayed for up to one year for qualifying employees. Interest continues to accrue during the period and the plan can extend the term of the loan for up to one year.

If you have questions, contact:

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