



OUR VIEW



The waiver applies to Traditional IRAs, Inherited IRAs, SEP-IRAs, 401(k)s and 403(b) plans, among others. In addition, certain beneficiaries of Inherited IRAs may also skip the 2020 distribution when calculating their 5-year distribution period.

The CARES Act & Impacts on Required Minimum Distributions

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was approved by Congress and signed by President Trump on March 27th. The legislation aims to help individuals, families, small businesses and major sectors of the economy affected by the 2020 coronavirus pandemic.

Perhaps the most impactful provision for TFC's clients is the waiver of Required Minimum Distributions ("RMDs") from retirement accounts for 2020. The waiver applies to Traditional IRAs, Inherited IRAs, SEP-IRAs, 401(k)s and 403(b) plans, among others. In addition, certain beneficiaries of Inherited IRAs may also skip the 2020 distribution when calculating their 5-year distribution period.

For individuals that do not need the income provided from their RMDs, there are several compelling reasons to take advantage of this waiver:

- Lower taxable income for the year, thereby reducing 2020 income tax liability;
- Avoiding a distribution calculated on a 2019 year-end value from an account which has likely declined significantly in value, thereby eliminating the need to take a disproportionately large distribution compared to the current size of the account; and
- Leaving the funds in the retirement plan will provide additional time for the account value to recover.

For those who have already taken their RMD for 2020 and would like to take advantage of the waiver, the funds may be redeposited pursuant to the 60-day Rollover rule, which provides a 60-day window to redeposit the funds in order to avoid paying taxes on the distribution. A notable exception is that Inherited IRA accounts are not eligible to take advantage of this rule. Bear in mind, that if federal or state taxes were withheld from the distribution, the amount of the gross distribution would need to be redeposited in order to avoid paying taxes on the portion of the distribution that was withheld. Clients should speak with their CPA to confirm the implications of skipping and/or redepositing their RMD for the 2020 tax year.

We await further details and clarification from the I.R.S. on this change and will share relevant information as it becomes available.

As always, please do not hesitate to reach out to your TFC advisor to discuss this matter or any other questions you may have.

We hope you stay healthy and well,

Jane Taubner Barney, JD, CFP®, CDFA™
Senior Client Advisor



Disclaimers:

1. Investments in securities are not insured, protected or guaranteed and may result in loss of income and/or principal.
2. This communication may include opinions and forward-looking statements. All statements other than statements of historical fact are opinions and/or forward-looking statements (including words such as "believe," "estimate," "anticipate," "may," "will," "should," and "expect"). Although we believe that the beliefs and expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such beliefs and expectations will prove to be correct. Various factors could cause actual results or performance to differ materially from those discussed in such forward-looking statements.
3. TFC Financial is not licensed to provide and does not provide legal or accounting advice to clients. Advice of qualified counsel or accountant should be sought to address any specific situation requiring assistance from such licensed individuals.