The Coronavirus Aid, Relief and Economic Security ("CARES") Act was passed into law on March 27th, and, among other provisions, provides special rules for retirement plans that will provide much-needed relief to many Americans affected by the COVID-19 crisis.

The following FAQs highlight the CARES Act provisions designed to provide relief to 401(k) plan participants. Please note that the availability of these new options is based upon your Plan Sponsor's approval.

As a participant impacted by COVID-19, am I able to access my retirement funds?

Yes, if allowed by the plan, certain participants may withdraw, penalty free, up to $100,000 between January 1, 2020 and December 31, 2020. You may also be able to take a higher loan amount out of your plan than normally allowed.

Who is eligible for these withdrawals/loans?

To be eligible to make such a withdrawal or request such a loan, 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.).

Have 401(k) loan limits been adjusted?

Yes. If allowed by the plan, the loan limit can be increased to the lesser of $100,000 or 90% of the participant's vested account balance. While CARES technically allows for a loan amount of 100%, this amount has been adjusted to 90% to accommodate market value fluctuations and pending plan deductions. This only applies to loans made on or before September 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 December 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 I receive a COVID-19 distribution, can I repay the amount back into my 401(k) account?

Yes, a 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.

Have there been adjustments made for Required Minimum Distributions (RMDs)?

Yes. The CARES Act waives the requirement for any RMD that is required to be paid in 2020. This includes an individual's first RMD which is attributable to 2019 (not paid by January 1, 2020). If a RMD has already been received during 2020, then the participant may roll it over to a qualified plan.

Why does the RMD adjustment matter?

An RMD is calculated using the balance of an individual retirement account on December 31st of the year prior to the date it must be distributed to a participant. The Dow Jones closed at 28,538 on December 31, 2019. On March 27, 2020, the Dow Jones closed at 21,636.78 – a significant decrease. An RMD calculated based on a December 31, 2019 value could lead to a disproportionate RMD relative to today's account values, forcing a disproportionately large taxable distribution.

If you need to request a COVID-19-related loan or distribution, simply follow our standard loan/distribution process by logging in to your account here. Once logged in, click on Withdrawals. COVID-19 distributions are available under the Hardship option, and COVID-19 loans are available under the standard Loan option. If you wish to submit your request via paper form, the Forms may be accessed here.

If you have any questions regarding these new CARES Act provisions, please don't hesitate to contact us via the information listed below.

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