The CARES Act includes provisions that allow for the temporary easing of some of the regulations regarding withdraws and loans from retirement plans. Today's FAQs focus on the key aspects of those provisions as they would relate to your employees. For our PEO clients who offer the 401(k) plan through The Retirement Plan Company (TRPC), they are currently working through the details of the Act to determine changes to the plan document and administrative procedures. If you have a retirement plan outside of the PEO, your retirement plan administrator can assist you with these changes.

Q: How does the CARES Act impact the hardship withdrawal provision of a 401(k) plan?

A: The Act waives early withdrawal penalties on withdrawals of up to $100,000 (or 100% of the balance) from a retirement plan (includes all plans of the employer or Related Group of employers) and/or IRA for an individual who:

- is diagnosed with COVID-19;
- whose spouse or dependent is diagnosed with COVID-19;
- who experiences adverse financial consequences as a result of being quarantined, furloughed, laid off, having work hours reduced, being unable to work due to lack of child care due to COVID-19, closing or reducing hours of a business owned or operated by the individual due to COVID-19; or
- other factors as determined by the Treasury Secretary.

Individuals can avoid paying taxes on the withdrawal if the money is put back in the account within three years. If it cannot be returned, taxes can be paid over a three-year period. Those repayments would not be subject to the retirement plan contribution limits.

Q: How does the CARES Act impact the loan provisions of a 401(k) plan?

A: The Act doubles the current retirement plan loan limits to the lesser of $100,000 or 100% of the participant's vested account balance in the plan (currently the lesser of $50,000 or 50% of the participant's vested account balance). Individuals with an outstanding loan from their plan account with a loan payment due from the date of the Act's enactment through December 31, 2020, can delay their loan repayment(s) for up to one year.

Q: How does the CARES Act impact the Required Minimum Distribution (RMD) rules?

A: The Act waives RMDs for the 2020 calendar year for defined contribution plans, including 401(k), 403(b), 457(b), and IRA plans, allowing individuals to keep funds in their retirement plan account. Under current law, individuals (generally at age 72) must take an RMD from these types of plans and IRAs.