



On March 27, 2020, the Coronavirus, Aid, Relief and Economic Security (CARES) Act was signed into law and includes several provisions that expand plan participants' access to retirement assets and provide funding relief to sponsors of defined benefit plans.

Should the plan permit, the key relief provisions for "Eligible Participants" are as follows:

- New penalty-free taxable withdrawals up to \$100,000 made between January 1, 2020, and December 31, 2020.
- Income taxes due on COVID-19 withdrawals may be paid over three years.
- COVID-19 withdrawals may be paid back to the plan or an IRA within 3 years to avoid taxation. Any amounts not repaid will be taxable.
- Increased plan loan limit to the lesser of \$100,000 or 100% of the vested account balance up from the lesser of \$50,000 or 50% of the vested account balance. This provision expires September 23, 2020.
- Scheduled loan repayments due between March 27, 2020, and December 31, 2020, may be delayed for up to one year. Interest still accrues during the period and the plan may extend the term of the loan for up to one year.

These key relief provisions are available only to "Eligible Participants" who certify:

- Being diagnosed with a coronavirus (COVID-19 or SARS-CoV-2) illness;
- Having a spouse or dependent diagnosed with a coronavirus illness; or
- Having experienced "adverse financial consequences" as a result of a quarantine, furlough, layoff, reduction in work hours, business closure, the lack of childcare, or other factors determined by the IRS due to the coronavirus emergency.

Required Minimum Distributions (RMD) from IRAs and defined contribution plans normally issued during 2020 are waived. If a participant previously

received an RMD in 2020, he or she may roll it over to an IRA or back into their current retirement plan deferring taxation.

Plans that elect to implement CARES Act provisions may use them immediately, but must adopt a plan amendment incorporating these changes into the current plan document by the last day of the 2022 plan year.

Defined benefit and cash balance plan funding obligations due during 2020 may be delayed until January 1, 2021, with interest payable on amounts funded after the original due date, including extensions.

Watch for further guidance from our office on plan amendments and administrative details. Feel free to contact First American Bank Retirement Plan Services at (847) 392-2999 with any questions or concerns you may have.

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