



WHAT YOU NEED TO KNOW ABOUT THE CARES ACT – THE CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT

Given the coronavirus-related economic hardships that many are facing, we understand that tough financial decisions may be ahead. If you are thinking about tapping into your retirement savings to help make ends meet for the time-being, keep reading to review some important things to consider.

What is the CARES Act?

The CARES Act was signed into law on March 27. This law – the Coronavirus Aid, Relief and Economic Security Act – is a stimulus package that is intended to provide relief to many Americans during the COVID-19 pandemic. The CARES Act offers a variety of relief programs for Americans, such as cash payments, temporary student loan relief, expanded unemployment benefits, and expanded access to retirement funds with penalties waived.

What options are available to me to access my retirement account funds?

The following is available to you if eligible. Read further to find eligibility requirements.

- **Withdrawals:**

- You can withdraw up to \$100,000 from your 457b Deferred Compensation or 401a Retirement Plan without the usual 10% early penalty.
- While the distribution will still be subject to taxes as with any retirement account distribution, the tax liability can be spread out over the next three years.
- You will be able to “re-contribute” the money back into the account over the next three years to avoid some or all of the taxes. These contributions can be made without regard to the normal plan contribution limits.

- **Loans**

- From March 27, 2020 (the day the CARES Act passed) until September 23, 2020 (180 days after the bill passed), you may take out a loan of up to \$100,000.
- Usually you can't take out more than half of your balance, but that rule will be suspended between March 27 and September 23, 2020.
- Loan repayments can be delayed for up to one year. The terms of this delay are subject to IRS guidance.
- If you already have a loan out of your retirement plan, and were supposed to finish repaying it before December 31, 2020, you may take an extra year to repay it.

Note: Until further notice, application fees on loans and fees on withdrawals will be waived by Prudential, including express mail fees, given these extraordinary circumstances.

Who qualifies for the CARES Act retirement plan loan and withdrawal rules?

To qualify for a Coronavirus-related retirement plan withdrawal or loan of up to \$100,000, you must meet the following criteria:

- You have been diagnosed with the virus SARS-Co-V-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention;
- Your spouse or dependent has been diagnosed similarly with the virus;

Or:

- You have experienced 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 the virus, or closing or reducing hours of a business owned or operated by me due to the virus.

What if I have an outstanding loan payment prior to the CARES Act?

The repayment period for any loan may be delayed by 1 year if the payment due date of the loan occurs sometime between March 27, 2020 and December 31, 2020. The remaining payments should be appropriately adjusted to reflect the delay and any interest accruing during the delay.

Are Required Minimum Distribution (RMD) rules affected by the CARES Act?

Minimum Distributions (RMDs) will not be required from individual retirement accounts or workplace retirement savings plans for the remainder of the 2020 calendar year. Therefore, individuals will not be forced to sell investments that may have fallen in value, which would lock in losses. If individuals do not need the money now, they can let the investments stay in the market, giving the investments more time to recover.

Combined with the SECURE Act that moved the commencement of RMDs for those who had not reached age 70½ before January 1, 2020, to age 72, this has effectively pushed the initial RMD back several years for those who turn 70½ in 2020.

Those who need to take money from their retirement accounts can still do so. This money will be taxed as in past years.

Important note for those actively receiving RMDs from Prudential:

In an effort to help you to protect your account value, beginning in April 2020, Prudential has discontinued automatic RMD payments for current retirees and will continue this practice for the remainder of 2020. If you, however, prefer to continue the automatic payments, you will need to contact Prudential to reactivate them. If we do not hear from you, your RMD payments will be suspended for the remainder of 2020, and will resume, as usual, in 2021. Please call Prudential at **855-WOW-457B** (855-969-4572) if you would like to reactivate your RMD payments through 2020.



What should I consider before accessing my retirement savings?

- The money you take out from your retirement savings loses its potential to grow for you. It can put a permanent dent in your plan balance, as [compounding is one of the most powerful tools to boost retirement savings](#).
- Withdrawing savings during a down market may limit your ability to recover your losses. If your retirement investments have experienced losses as a result of the recent market downturn, selling them now will [“lock in” your losses](#).
- You may need to pay tax on the money you withdraw. If you’re qualified, CARES Act forgives penalties on withdrawals, but you’ll still owe ordinary income taxes if it’s not paid back within three years.
- Loans will need to be repaid. If you’re qualified to take your money as a loan, you’ll need to pay back the funds with after-tax dollars. You’ll also need to keep in mind your plan sponsor’s approach to loans, such as requirements around payments or interest.

Who can I contact for further guidance on my personal situation?

You may schedule a phone or virtual one-on-one consultation with one of the plan’s dedicated Retirement Counselors by visiting prudential.com/retirewow and click *Personalized Guidance*.

How do I take action?

To talk to a Prudential representative regarding these relief programs, call **855-WOW-457B** (855-969-4572); Monday-Friday 5am-7pm PT, Saturday 7am-12pm PT, Sunday 8:00am-1pm PT.