ED SLOTT'S ELITE IRA ADVISOR GROUP℠

# COVID-19
# RETIREMENT ACCOUNT RELIEF

***As the United States faces the COVID-19 pandemic and business comes to a standstill, the federal government responded with tax-filing relief and a massive stimulus package. Both actions include details that may impact your retirement accounts. Here is what you need to know:***

## 2019 IRA and Roth IRA Contribution Deadline Extended to July 15, 2020

The tax-filing deadline for 2019 federal income tax returns has been extended from April 15 to July 15, 2020. For individuals with a state income tax, those returns will also need to be filed. Be mindful of the due date. State filing and payment deadlines vary and are not always the same as the federal deadline, so be sure you know the applicable deadline in your state.

The 2019 deadline for IRA and Roth IRA contributions has also been extended to July 15, 2020. This is good news if you need a little more time to make your 2019 IRA contribution. If you do make a prior-year IRA contribution after April 15, be sure it is clear to the IRA custodian that it is for 2019.

## 2020 RMDs Waived

The massive Coronavirus Aid, Relief, and Economic Security (CARES) Act has been signed into law. The CARES Act includes a waiver of required minimum distributions (RMDs) for 2020. This waiver applies to IRAs, including both traditional and Roth inherited IRAs, and company savings plans like SEP, SIMPLE, 401(k), 403(b) and 457(b) plans. There are no special qualifications for having your RMD waived – it applies automatically. An RMD waiver is a significant help for those who would have had to take a 2020 RMD based on a much higher account value on December 31, 2019. Now, you can sit out a year and avoid the tax bill on your 2020 RMD, if you wish.

For those who reached age 70 ½ in 2019 and had a required beginning date of April 1, 2020, any 2019 RMD amount not already withdrawn by January 1, 2020, is also waived.

If you already took your 2020 RMD, you may be able to roll over some or all of the money. Another option is to convert it to a Roth IRA. Your advisor can help determine if you are eligible for either strategy.

## Roth IRA Conversion Strategy

Is now the time to consider a Roth IRA conversion? A conversion done when the market is down is a bargain. Remember, your tax bill is based on the value of the traditional IRA assets at the time they are converted to a Roth IRA. Convert now when values are low and reap the benefits of tax-free earnings later when the market bounces back.

In 2020, you can convert all or a portion of your traditional IRA to a Roth without concern about taking your RMD prior to the transaction. In a normal year, the RMD is not eligible for conversion.

Converting what would have been your 2020 RMD is a great planning idea for people who were already budgeting for the taxes due on the RMD. A Roth conversion will generate the same amount of taxes. However, instead of the withdrawal being paid to you, it is now in a Roth IRA growing tax-free. In addition, there are no lifetime RMDs on Roth IRAs, so a Roth conversion can help reduce future RMDs.

## Coronavirus-Related Distributions

The CARES Act provides special tax relief for retirement account distributions. While the definition of who qualifies for this relief is broad, it does not include everyone. Before making any transaction, be sure you fit the guidelines. You are eligible to take a "coronavirus-related distribution" (CRD) only if you:

- Are diagnosed with the SARS-CoV-2 or COVID-19 virus based on an approved test; or
- Have a spouse or dependent who is diagnosed; or
- Experience "adverse financial consequences" on account of being quarantined; being furloughed or laid off or having your work hours reduced; being unable to work due to lack of childcare; or closing or reducing hours of your business.

If you qualify, you can take up to $100,000 of distributions from your IRAs and company plans in 2020 and receive the special tax relief outlined below. Keep a careful tally of all your 2020 CRDs - the $100,000 limit applies to IRA and company plan withdrawals on an aggregated basis. Fortunately, the CARES Act does not set any limits on how the distributed funds are used.

## Special tax relief for CRDs includes:

- No 10% early distribution penalty if you are under age 59 ½.
- The option to spread the federal tax on CRDs evenly over a three-year period beginning with the year of the distribution.
- A three-year period to repay CRDs to an IRA or company plan. Taxes could be refunded on the amounts repaid. Repayment does not have to be made to the same IRA or company plan from which the CRD was originally paid.

While the 10% penalty is a non-issue you if you are over age 59 ½, you can still take advantage of the other two items of relief if you are eligible.

## Relief for Plan Loans

If your company plan offers loans and you are eligible to take a CRD, you might consider taking a loan in addition to (or instead of) a CRD. For those who qualify, the CARES Act offers two plan loan relief provisions:

- The maximum loan amount is temporarily increased to the lesser of $100,000 (reduced by other outstanding loans) or 100% of the account balance. This rule applies to loans taken by September 23, 2020.
- Loan repayments for qualified individuals normally due between March 27, 2020, and December 31, 2020, may be suspended for one year.

Remember, loans are not available from IRAs.

## Good Advice is Essential in Uncertain Times

Do you have questions about your own situation? During these uncertain times, good advice is more important than ever. A qualified financial advisor can guide you through the new rules and help ensure you are best positioned to survive these unprecedented days.

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