VIRTUS FUNDS

The Coronavirus Aid, Relief, and Economic Security Act **(CARES Act)** was approved by Congress and then signed into law by the President on March 27, 2020. The CARES Act is a relief package that provides fast and direct economic assistance for American workers, families, and small businesses. The Act includes a few provisions that directly impact retirement plans. Talk to your financial professional for information concerning your specific retirement situation. The key provisions to be aware of are as follows:

1. **Waiver of 2020 RMDs, and a waiver of 2019 RMDs for those who were eligible to take their <u>first</u> RMD by April 1, 2020 and had not yet taken it by January 1, 2020.**

    - This provision applies to all retirement plans, including IRAs, 401(k) plans, 403(b) plans, etc. Any individual who was required to take a RMD in 2020 is now no longer required to take it this year.

        - In addition, any individual who turned age 70 ½ in 2019, and was scheduled to take their first RMD before April 1, 2020, the 2019 RMD is also waived <u>if the individual did not already take it prior to January 1, 2020</u>.

        - If an individual has already taken their 2020 RMD, the amount may be rolled back into a retirement account.

2. **Year (2020) will not be taken into consideration for IRA beneficiaries using the five-year rule (or ten-year rule based on the SECURE Act provisions for IRA account owners who passed after December 31, 2019).**

    - This year can be disregarded when determining the years in question. Essentially, the beneficiary gets an extra year to distribute the assets.

3. Exception to the 10% early withdrawal penalty for retirement plans, including IRAs for any distribution not exceeding $100,000 and made before December 31, 2020, for the following individuals:

    - Individuals who have been diagnosed with “the virus SARS-CoV-2” or “Coronavirus disease 2019 (COVID-19)”;

    - Individuals whose spouse or dependent is diagnosed with such virus;

- Or individuals who experience adverse financial consequences as a result of:
    - Being quarantined, being furloughed or laid off or having reduced working hours due to the virus,
    - Being unable to work due to lack of child care due to the virus,
    - Closing or reducing hours of a business owned or operated by the individual due to the virus,
    - Or other factors as determined by the United States Treasury.

It is the responsibility of the taxpayer to certify on their tax return that one of these conditions has been met.

Although the 100% penalty is waived, regular taxes are still applicable. However, a shareholder is given up to three years to roll the money back into a retirement account, if they wish to avoid paying taxes. Multiple payments can be made, at any time over the three-year period, which is considered to begin on the day after the distribution was received by the shareholder.

For individuals who does not roll the proceeds back into a retirement account, they may spread the tax liability over three years, starting in the year in which the distribution was taken.

If a distribution is taken from a 403(b) or 401(k) plan and meets the coronavirus-related conditions, the distribution is not required to be treated as an eligible rollover distribution. As a result, the mandatory 20% withholding is not applicable, although an individual may still choose voluntary tax withholding.

05/2020