Prudential

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Understanding the CARES Act and what it means for you

For many of us, we're adjusting to a "new normal" as our jobs, families, and lives are impacted by COVID-19. If you're feeling uncertain about what's next and how to manage your money, know you're not alone.

And as your retirement plan provider, we're here to help. Our goal is, and always has been, to help you save for the long term and prepare for your financial future. We recognize you may need to prioritize managing your short-term financial needs in the current situation. And, if that's the case, we're here to provide you with important information and resources you'll need to make the best decisions for you and your loved ones.

The government recently signed into law a stimulus package—the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). It offers a variety of relief programs for Americans, such as cash payments, temporary federal student loan relief, and expanded unemployment benefits. These programs can certainly help, but they may not be enough to fully cover your immediate needs.

The CARES Act and your retirement savings

While your plan offers ways to access your savings normally, this relief program has expanded these options by providing loosened restrictions on early withdrawals and loans against retirement accounts for eligible individuals.

You're eligible if you meet one of these qualifications:

- You, your spouse or dependent is diagnosed with COVID-19 or with the virus SARS-CoV-2, by a test approved by the Centers for Disease Control and Prevention.
- You have personally experienced adverse financial consequences as a result of being quarantined, furloughed, or laid off; if your work hours have been reduced; or if you are unable to work due to lack of child care or business closures related to the coronavirus pandemic. This does not include financial distress suffered by a spouse or dependent.

If you're eligible, under the new law you have access to:

- **Early withdrawals (coronavirus-related withdrawals**
  - You can withdraw up to $100,000 without the usual 10% penalty.
  - You can spread out any income taxes that you owe over three years from the date you took the withdrawal. You will need to claim this tax treatment on your personal income tax returns for 2020.
  - If you would like, you can put the money back into the account before those three years are up, even though the rules may normally keep you from contributing that much.]
- **Loans**
  - You can take out a loan of up to $100,000 or 100% of your vested balance. Usually you can't take out more than half your balance, and no more than $50,000.
  - This option for a higher loan is available from March 27 through September 23, 2020.
  - Loan payments due between March 27 and December 31, 2020 can be delayed with your election for up to one year. The terms of this delay are subject to IRS guidance.

Additional relief is available

Beyond the relief measures made available through the CARES Act, here are other important things to consider:

- **Prudential is waiving all fees on loans and withdrawals**
  Until further notice, all Prudential fees on loan applications and on withdrawals will be waived, including express mail fees.
- **Required Minimum Distributions**
  For those who turned 70½ in or before 2019, you may normally be subject to taking a Required Minimum Distribution (RMD) from your account. Prudential has discontinued automatic 2020 RMD payments not already made, and they're no longer required for the remainder of the 2020 calendar year. If you would still like to take your 2020 RMD, let us know and we'll process it for you.

Some things to think about before accessing your retirement savings

We understand it's difficult to maintain a long-term focus right now, when it feels like things are changing daily. But we encourage you to keep your retirement savings goals on track, as much as possible, so you can build a stronger financial future. Here are some things to consider:

- **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.

Next steps

- **Set up some one-on-one time with a retirement counselor and take action online**
  Questions? We're here for you. Schedule a virtual session with a Prudential Retirement Counselor, and visit our site to learn more about the CARES Act, market volatility, and how to manage retirement accounts quickly online: www.prudential.com/COVID19.
- **Give us a call**
  If you'd like to talk to a representative or have any other questions on these relief programs, give us a call at 1-877-PRU-2100, Monday–Friday, 8 a.m.– 9 p.m. ET. Please mention CARES Act when prompted.

Any outstanding loan balance not paid back at termination becomes taxable in the year of default. Under the Tax Cuts and Jobs Act, for defaults related to termination of employment after 2017, the individual has until the due date of that year's return (including extensions) to roll over this amount to an IRA or qualified employer plan.

Retirement counselors are registered representatives of Prudential Investment Management Services LLC (PIMS), Newark, NJ, a Prudential Financial company.

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