

The Impacts of COVID-19 on Retirement Distributions and Contributions



There is not a human being on the planet that has not felt the effects of COVID-19. Whether it be through health, finances or the social impact of the virus, everyone has had their life changed in some way, big or small.

For those at or past retirement age, the pandemic may have fogged the clarity on how exactly they should be taking distributions. When the CARES Act was signed into law on March 27, perhaps the most notable aspect was the \$1,200 per person stimulus check for those who reported up to \$75,000 in adjusted gross income on their last tax filing.

A little further down the list of economic measures taken by the government was to suspend 2020 Required Minimum Distributions (RMD) for 401(k) plans and individual retirement accounts (IRAs). That means those receiving retirement income, or were scheduled to hit the distribution age, do not have to take scheduled distributions this calendar year.

Retirees were still getting used to the changes that occurred starting at the beginning of 2020 with the SECURE Act that required withdrawals to start by April 1 following the year account holders reach age 72, rather than 70 ½ like it had been.

The CARES Act also allows qualified individuals to take special disbursements and loans from tax-advantaged retirement funds of up to \$100,000 without facing a penalty. A qualified individual is defined as an individual (1) who is diagnosed with COVID-19, (2) whose spouse or dependent is diagnosed with COVID-19, or (3) who experiences 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 COVID-19, closing or reducing hours of a business owned or operated by the individual due to COVID-19, or other factors as determined by the Treasury Secretary.

Typically, a 10 percent penalty applies. Borrowers can repay the amount distributed over the next three years without penalty, and are also allowed to make extra contributions.

These changes can have broad impacts on a client's financial plan. Brian Morgan, CFP, Financial Planning Product Director at Orion Advisor Tech, said that, "COVID-19 can impact clients in many different ways and the advice we give should factor in both their short term circumstances and their long term goals."

"Financial Planning is a great way to assess your client's current situation and subsequently show them how your recommendations will help them achieve their goals to hopefully bring some desperately needed peace of mind," Morgan added.

On the same plane, because the tax filing date was extended to July 15, investors have more time to fund IRA's for the 2019 filing year if they have not hit the contribution limit.

At the end of the day, it is up to you and your client whether waiving RMD's makes sense for their financial picture. With Orion's financial planning software, our technology can help you implement the agreed-upon plan to perfection.

If you think financial planning could be of value to your business, reach out to info@orion.com for more information. During this crisis, we are offering Orion's modern financial planning technology, regardless of whether you are an existing client of Orion. For more information, [click here](#).

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