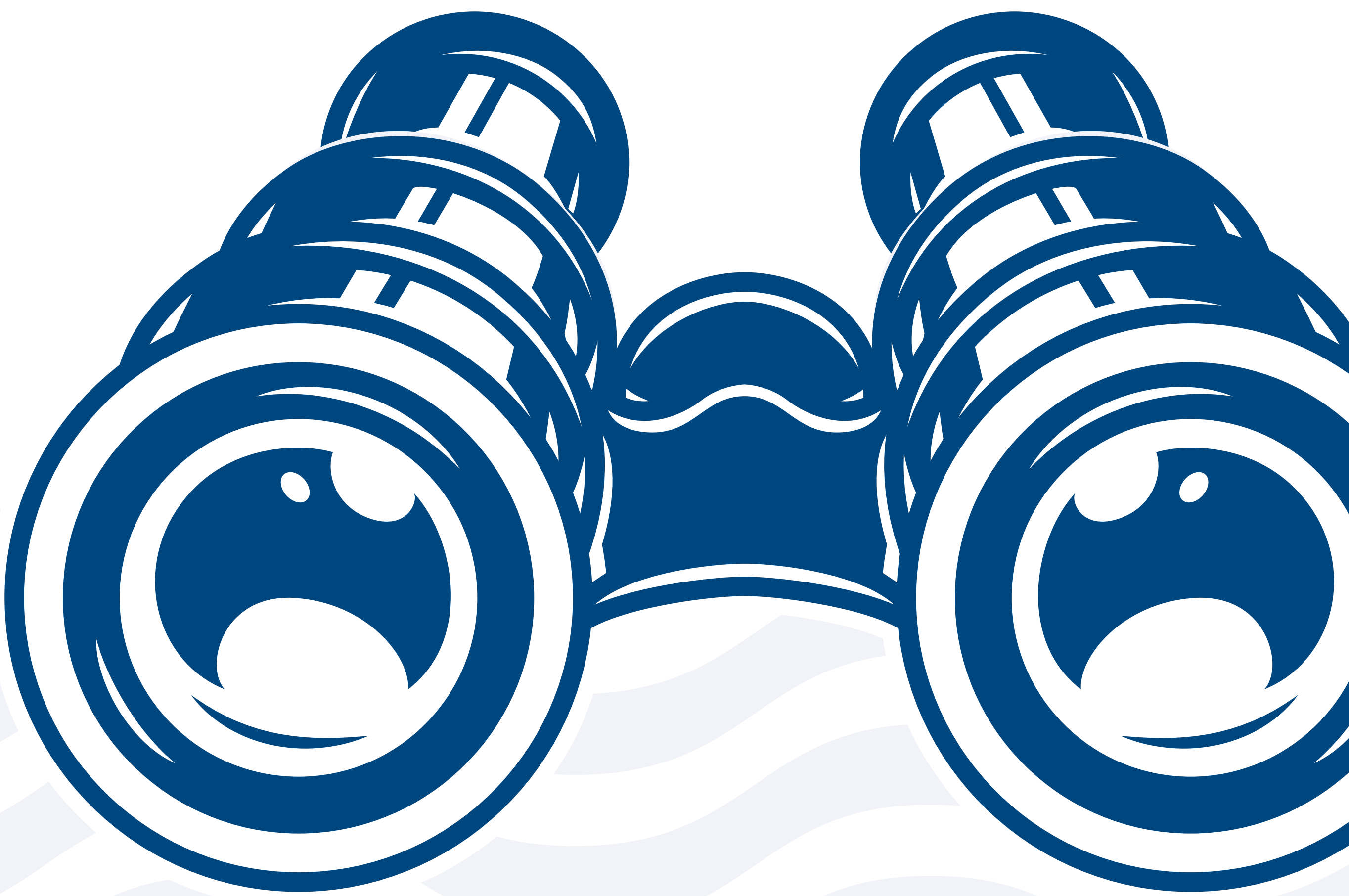
CARES ACT

LPL Cares About RETIREMENT

Helping you navigate the CARES Act



LPL Financial

Between the recent market volatility and the heightened health and safety concerns that many people are experiencing, it's natural that investors have questions about their retirement accounts. As advisors, one of your many roles is helping your clients understand their retirement options. That's not always easy to navigate—even under normal circumstances. LPL is here to make sure you're armed with all the information you need to navigate their questions and concerns.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was recently enacted by Congress. This Act contains provisions that both affect retirement plans and encourage charitable giving by allowing taxpayers to deduct up to 100% of their adjusted gross income for cash contributions to qualified charities. These provisions can provide opportunities for financial planning with your clients. That's why we've created our LPL Cares About Retirement guide.

LPL cares about retirement, and we hope that this guide will provide you and your clients with reliable resources in uncertain times.

As a leading provider of support to more than 16,000 financial advisors and nearly 800 financial institutions, who collectively serve more than 5 million American investors, LPL is committed to providing our financial professionals with the information, resources, and leadership to be able to effectively navigate these uncharted waters on behalf of their businesses, their clients, and their communities.

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CARES ACT: RETIREMENT BENEFITS OVERVIEW

One of the many benefits of the CARES Act is that it makes it easier for workers to access retirement savings. It is not expected that this relief alone will put people in a secure place, but it is able to help. With the CARES Act in place, we've outlined what the changes mean and what you can do to take the next steps with your clients.

Click here to read CARES Act Retirement Planning FAQs

Click here to watch a webinar of the CARES Act's key components featuring Matt Enyedi and Nicole Petrosino

RETIREMENT BENEFITS GUIDE TO REQUIRED MINIMUM DISTRIBUTIONS

REQUIRED MINIMUM DISTRIBUTIONS

The CARES Act waives all required minimum distributions (RMDs) from retirement accounts for 2020. This includes traditional IRAs, SEP IRAs, and SIMPLE IRAs, as well as 401(k), 403(b) and Governmental 457(b) plans. It is a true waiver and the distributions do not need to be made up next year.

WHAT DOES IT MEAN?

This means that people can leave their retirement accounts alone for another year. Many retirement accounts may have seen a decline in value due to market volatility and uncertainty during the beginning of the year after high balances at the end of 2019 (when RMDs would have been calculated), and this provision allows their accounts the time to recover. This relief applies to both retirement account owners, themselves, as well as to beneficiaries taking stretch distributions.

We aren't sure if RMDs already taken in 2020 can be put back into an account. We are waiting for IRS guidance on this matter. In 2009, the last time there was RMD relief, the IRS allowed RMDs already taken to be put back into retirement accounts. There is arguably a stronger case now for such provisions.

Additionally, the Qualified Charitable Distributions (QCDs) allow someone age 70½ to send up to $100,000 from an IRA to a qualified charity and have that amount offset any RMDs for the year and not be treated as a taxable distribution.

Note: Since the required date for RMDs is 72, if someone uses a QCD at age 70½, they would not be able to offset any RMDs because none are owed yet.

WHAT CAN I DO?

We want you to be confident in both your client conversations and in navigating our technology to make decisions related to your clients' RMDs. This benefit comes as a welcome change to account holders who do not want to take distributions or pay hefty taxes at a time when portfolios are sharply down.

- Let clients know that if they already took their RMD, it can be rolled over to an IRA or eligible retirement plan (unless they are a beneficiary who inherited the IRA). This is limited to one 60-day rollover per 12-month period.
  - However, if your client took their RMD in January, the IRS has stated that they cannot roll it back to a plan or an IRA, as the 60 day window has passed, and therefore, a January RMD would not be eligible for a rollover.
  - If your client took their RMD between February 1 and May 15 they have until July 15 to roll it back.
- If your clients won't need their RMDs and have them set up automatically, now is an ideal time to connect with them and suspend their RMDs for 2020.
- If there's an agreement or schedule established, the beneficiary needs to notify the custodian that they don't want it.
- It never hurts to notify the custodian of your intent, regardless of existing arrangements.

RETIREMENT BENEFITS GUIDE TO PLAN WITHDRAWALS AND LOANS

The CARES Act allows individuals to withdraw a total of up to $100,000 from retirement accounts, such as a 401(k) or an IRA account, without having to pay a 10% penalty if they are under age 59 as well as increased access to retirement plan loans. The early withdrawal penalty is waived until December 31, 2020.

WHAT DOES THIS MEAN?

To qualify for this relief your clients need to fall into one of two categories:

- Your client, their spouse or a dependent is diagnosed with COVID-19.
- Your client has suffered financial consequences as a result of the pandemic. These might include reduced income from being quarantined or furloughed, having their hours reduced, being unable to work due to childcare issues or other issues beyond their control arising out of this situation.

This waiver of the 10% penalty is retroactive to January 1, 2020, so if your client had taken a distribution from their retirement plan earlier in the year that had been subject to the penalty it will now qualify for this waiver.

Hardship Withdrawals

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. Additionally, your client 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.

The 72(t) Exception is a new exception to the 10% early withdrawal penalty tax under code section 72(t) for those who take retirement distributions prior to age 59½.

Plan Loans

The CARES Act doubles the current retirement plan loan limits to the lesser of $100,000 or 100% of a qualified individual's vested account balance in the plan. This increased loan amount is available for loans made during the 180-day period beginning on the date of enactment. In addition, the Act extends the due date of any qualified individual's loan repayment that would otherwise be due during 2020 (but on or after the date of enactment) to one year after the otherwise applicable due date.

WHAT CAN I DO?

Not all retirement plans will allow these COVID-19 withdrawals or loans, so check with the plan administrator in the case of an employer-sponsored retirement plan like a 401(k) to see if your client's plan will be offering these options.

ADDITIONAL WAYS LPL CAN HELP

LPL BUSINESS SOLUTIONS

It is likely that your business day is longer than ever. You're balancing personal changes, increased client demands, and the pressures of running a small business.

If you are an LPL advisor, LPL Business Solutions may be able to support you with specific needs in your practice. Whether it is administrative assistance, digital marketing, office technology, or business operations, LPL Business Solutions can partner with you so you can focus on your clients during the COVID-19 pandemic.

Available services:

- Administration Solutions
- Marketing Solutions
- CFO Solutions
- Technology Solutions

For more information, visit LPLBusinessSolutions.com.

WE'RE HERE FOR YOU

During these unprecedented time, we are ready to help.

- Do you have any questions about the CARES Act?
- Do you need additional help beyond these tools and resources?
- What other information could help you?

We value your opinion and want to hear from you.

- Contact us: CARESAct@lpl.com
- Visit: www.LPLCaresAct.com or www.sba.gov

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