WHAT YOU SHOULD KNOW ABOUT THE CARES ACT

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted in late March to help individuals and businesses weather the financial stresses brought on by the advent of the coronavirus. Parts of the Act offer specific help to individuals who may need to access some of their retirement plan savings and to those taking minimum required distributions from a retirement plan or individual retirement account (IRA). Here’s what you need to know.

EARLY PLAN DISTRIBUTIONS

Although it is not required to do so, your retirement plan may allow eligible individuals to take “coronavirus-related distributions” of up to $100,000 in 2020. These distributions are not subject to the 10% additional tax that generally applies to distributions taken before age 59½. Coronavirus-related distributions from an IRA are also penalty free.

If you are interested in taking an early distribution from your retirement plan, first check to find out if your plan provides for coronavirus-related distributions. If it does, you will have to certify that you qualify. Under the CARES Act, you can qualify if:

• You are diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention;
• Your spouse or dependent is diagnosed with the virus or disease; or
• You experience adverse financial consequences as a result of:
  ° Being quarantined, furloughed, laid off, or having work hours reduced due to the SARS virus or coronavirus disease;
  ° Being unable to work due to a lack of child care due to the virus or disease;
  ° Closing or reducing hours of a business you own or operate due to the virus or disease; or
• Other factors as determined by the Treasury Secretary.

You may repay coronavirus-related distributions to the plan or IRA at any time during the three-year period following the distribution date.

INCREASED PLAN LOAN LIMITS

The CARES Act doubles the current retirement plan loan limits to the lesser of $100,000 or 100% of a participant’s vested account balance in the plan. The increased loan limits are effective for the 180-day period beginning March 27, 2020, and ending on September 22, 2020. The qualifying conditions are the same as those outlined above for coronavirus-related distributions.

In addition, qualifying borrowers may delay loan repayments due from March 27, 2020, to December 31, 2020, for up to one year. This one-year delay applies to loans outstanding on or after March 27, 2020.

Plans are not required to implement the increased loan limits or the extended loan repayment periods. Your plan administrator can give you details about your plan’s specific loan requirements.

REQUIRED MINIMUM DISTRIBUTION (RMD) SUSPENSION

The CARES Act waives RMDs due for 2020 from IRAs and other defined contribution plans, such as 401(k), 403(b), and 457(b) plans. The suspension includes 2020 RMDs and initial RMDs that were due by April 1, 2020, for individuals who turned 70½ in 2019.

When you invest outside your plan in a taxable account, the rate of tax you’ll pay on a capital gain depends on the length of time you held the investment. Ordinary income tax rates apply if you held the asset for a year or less before you sold it. A lower rate — 0%, 15%, or 20% — applies to net long-term gains. The long-term holding period is more than one year.

Your 401(k) plan investments, on the other hand, are tax deferred. So, any capital gains can be reinvested on your behalf. You aren’t taxed on gains (or other investment income) until you start to take withdrawals from your plan account, usually at retirement. 401(k) distributions are generally taxed at ordinary rates unless they are qualified contributions from a Roth account, which are tax free.
For the majority of people, their home is their most valuable asset. If you are thinking about putting your home on the market, you want to be sure that you manage the process so that you get the best price possible with the least trouble. Here are some things to consider:

**GET YOUR TEAM TOGETHER**
A broker or agent will serve as your primary business representative during the sales process. Your lawyer can represent your legal interests during the whole process and review the contract before you sign it.

An appraiser can give you an unbiased, professional estimate of the current market value of your home. An engineer can evaluate the condition of your home and identify areas of potential concern for buyers.

**TAKE THE PULSE OF YOUR LOCAL REAL ESTATE MARKET**
On your own or with the help of a real estate professional, evaluate market conditions in your area to determine if it is a buyer’s or seller’s market. Examine whether the number of listings is rising or falling, how long it typically takes before a house sells, and whether sellers generally receive at least their asking price.

Opportunities for employment and the presence of a good school system can significantly impact property values. How does your area compare to other nearby communities? Also consider the degree of development that is — or is not — occurring in your area. Are new warehouses, homes, schools, hospitals, or factories being built or on the drawing board? Any development that is taking place in your area could be a plus or a minus, depending on a particular buyer’s needs and preferences.

**FIND OUT WHAT YOUR HOME IS WORTH**
Looking at recent sales of homes of a comparable size and quality in your neighborhood can give you a good idea of what your home might sell for. In addition to square footage and rooms, various other factors may impact a home’s value, such as central air conditioning, lawn sprinklers, a swimming pool, public water supply and sewer service, and outbuildings, such as sheds or barns.

**DEAL WITH APPEARANCE ISSUES**
Before you put your home on the market, consider doing the following:

- Fill holes in walls and ceilings.
- Repair cracked or rotted clapboards, shakes, shingles, or tiles.
- Touch up or repaint interior and exterior areas that show wear or discoloration.
- Patch any broken areas in walkways and driveways.
- Keep up with lawn mowing, weeding, and other landscaping chores. Consider purchasing potted flowers or other decorative items that could improve the appearance of your deck or porch.

**STAY ON TOP OF THE FINANCIAL ASPECTS OF THE SALE**
You should be aware of all the elements of your bottom line. That means that you should determine the payoff amounts for all loans tied to your property — primary mortgage, secondary mortgage, and home equity lines of credit. You’ll also want to estimate transaction costs, such as sales commissions and fees, legal and advisory fees, and the costs of preparing the property for sale.
TIME, NOT TIMING, IS A KEY TO SUCCESSFUL INVESTING

The stock market’s history is full of upswings and downturns. Some of the downturns are severe, as recent events remind us. However, over the long run, the stock market has generally delivered positive returns for patient investors who ride out its sometimes wild swings.*

Still, many investors believe that they can predict the stock market’s moves by looking at economic signals and other factors. They say that they can determine when it is the optimal time to enter and exit the stock market. And, unfortunately, there are numerous individuals who are willing to risk their retirement plan savings by trying to time the market’s ups and downs or by following other, equally dubious investing theories.

THE HIGH COST OF BAD TIMING
Although the idea of being able to time the stock market’s exact highs and lows is appealing, market timing is almost impossible to get right. Moreover, making the wrong prediction about the direction of the stock market can have a seriously adverse effect on a retirement plan portfolio.

Investors who move their money out of stock funds and are waiting on the sidelines during market downturns for the perfect signal to reenter the market often miss those days when the market makes dramatic upward moves. The historical record shows gains made in four or five days can account for much of the stock market’s performance for a quarter or even for a full year.

The following chart shows how being out of the market impacts performance over various time periods.

TIME IN THE MARKET IS WHAT COUNTS
Retirement plan investors generally would be better off if they simply let time go to work on their behalf. By making contributions to a retirement plan account steadily and without interruption, investors are slowly building up their plan account balance. Perhaps more important, regular contributions to a retirement plan give participants the opportunity to benefit from potential compounding.

Compounding is simply what happens when you earn money on your savings, and then you earn more money on your initial savings plus the earnings. Over time, your savings will grow, and you will have a bigger pool of money to invest. The longer your money is invested, the greater the potential benefit from compounding.

PUT TIME TO WORK FOR YOU
As a plan investor, you want to accumulate the savings you anticipate you’ll need for the retirement you are planning. Contributing regularly to your plan account for as many years as you can and investing in a well-diversified** mix of quality investments increases your potential for reaching this goal.

* Past performance is no guarantee of future results. Stock investing involves a high degree of risk. Stock prices fluctuate, and investors may lose money.
** Diversification does not guarantee a profit or protect against losses.

Missing Top-Performing Months in the Stock Market

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<tr>
<td>Annualized Index Return</td>
<td>6.15%</td>
<td>9.96%</td>
</tr>
<tr>
<td>Potential Value of $1,000</td>
<td>$5,992</td>
<td>$17,260</td>
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<tr>
<td>**Period Jan. 2000–Dec. 2019</td>
<td>0.88%</td>
<td>6.06%</td>
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<tr>
<td>Annualized Index Return</td>
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<tr>
<td>Potential Value of $1,000</td>
<td>$1,192</td>
<td>$3,244</td>
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<tr>
<td>Annualized Index Return</td>
<td></td>
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<tr>
<td>Potential Value of $1,000</td>
<td>$1,549</td>
<td>$3,567</td>
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This table summarizes the potential effects of missing top-performing months of the stock market, assuming investment performance mirrored the performance of the S&P 500.

Source: DST Retirement Solutions, LLC, an SS&C company. Stocks are represented by the S&P 500, an unmanaged index that is generally considered representative of the U.S. stock market. It is not possible to invest directly in an index. Past performance is not a guarantee of future results.
The great benefit of most employer-provided retirement plans is that they allow you to make pretax contributions to your plan account. That means that you don’t have to pay current taxes on the money you contribute to your plan or on the earnings these contributions generate. This attractive tax break is known as “tax deferral.” Over the years, this break can potentially give your retirement savings a nice break.

However, the IRS is not a philanthropic organization. What it gives, it usually demands back in some form down the road. Traditional individual retirement account (IRA) owners and 401(k) participants are taxed at ordinary income tax rates when they take a distribution from their account. Even if you don’t need to take money out of your account, the law requires you to do so. When you reach a certain age — what is called your required beginning date — you must begin taking annual required minimum distributions (RMDs) and paying the taxes owed or end up paying a large penalty.

THE BASIC RULES ON RMDs
The rules that determine your required beginning date depend greatly on the type of account you have. With a traditional IRA, you have to begin taking RMDs no later than April 1 of the year following the calendar year in which you reach age 72 (or 70½ if you were born before July 1, 1949). If you take your first RMD on April 1, you will be required to make another withdrawal by December 31 of the same year. The bottom line is that you will have to take two RMDs in that first year and subsequent RMDs every year by December 31.*

If you own a 401(k), the rules are essentially the same. However, participants who are not considered to be 5% owners of the company and are still employed by the company maintaining the 401(k) plan when they reach age 72 (or 70½ for those born before July 1, 1949) generally are not required to begin taking RMDs until April 1 of the year following the calendar year in which they retire.*

PERMISSIBLE WITHDRAWALS
The amounts you must withdraw to satisfy the RMD rules will vary from year to year. Generally, the amount is calculated by dividing your account balance at the end of the prior year by an age-based factor taken from what is known as the “Uniform Lifetime Table,” which can be accessed on the IRS website.

Just be sure to withdraw the correct amount. You can be penalized for taking out too little just as you can be penalized for not taking any money out. The penalty is 50% of the amount not withdrawn as required. Of course, there is no penalty for taking out more than the required annual amount.

* RMDs for 2020 have been suspended. See page one for details.