

# How the new CARES Act may impact you and your money

As you know, the current pandemic has changed the way we are socializing, working and living every day.

But it's also causing unprecedented financial hardships and hurdles for millions of individuals, families, households and businesses across the country as they attempt to push forward. In fact, even while the coronavirus remains highly contagious, many Americans are more concerned about having to bear the economic burden of a potential recession than they are of actually getting sick.<sup>1</sup>

Help is on the way, though.

In a legislative effort to provide support and protection to the increasing number of people who have been financially impacted by the COVID-19 crisis, Congress recently passed the new Coronavirus Aid, Relief, and Economic Security Act — or the CARES Act for short. Aimed at assisting all those in need, from laid-off employees to small-business owners to retirement savers, the massive stimulus package includes a number of provisions to help out many Americans.

You may be wondering, *How does the CARES Act affect me and my retirement account?*

Let's take a look to clear up any confusion.

## **Becoming eligible for coronavirus-related provisions**

COVID-19 has caused many different obstacles for Americans to overcome. From getting ill to losing a job to caring for family, you may be faced with several life-changing circumstances due to the virus.

If you need a helping hand, you could look to your retirement plan as a last resort.

As of today, you may be eligible for a distribution, new loan or loan payment break from your retirement plan if:

- You have been diagnosed with COVID-19 with a test that's been approved by the Centers for Disease Control and Prevention.
- Your spouse or dependent has tested positive for COVID-19.
- You have experienced financial hardships, such as being furloughed, quarantined or laid off — or you are facing reduced working hours or the inability to work due to lack of childcare due to COVID-19.
- You have had to shut down or scale back your own business due to COVID-19.

For additional factors that may not be listed here, please call your retirement representative.

## **Delaying loan payments**

If you have a new or existing loan, you may be able to postpone making your usual payments.

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## Applying for a new “increased” loan

Under the CARES Act, the maximum amounts have increased for new qualified loans for eligible participants taken on or before September 22, 2020.

## Taking a withdrawal without a penalty

Even though you’re encouraged to stay the course and keep saving for your future, everyone’s situation is unique.

Regardless of your age, you may be able to initiate a coronavirus-related distribution from your retirement account through December 31, 2020, without paying the standard 10% early withdrawal penalty. You also have the choice to pay back your withdrawal within a three-year period.

*Please note: All of the above provisions are plan-specific and have to be adopted by your employer.*

## Understanding the updated RMD rules

For the remainder of 2020, you no longer have to take a required minimum distribution from your retirement account.

## Waiving new loan and withdrawal fees

To serve you and support your needs during this difficult time, Empower Retirement is not charging origination fees for any new plan loan or hardship withdrawal in response to the coronavirus outbreak.

## Accessing information

Before taking money out of your retirement account or requesting a loan from your plan, it’s always a good idea to speak with a financial professional so you can stay on track — and stay the course. To run the potential numbers for yourself, visit the Learning Center and try out the:

➤ **Withdrawals before retirement calculator**

➤ **Borrowing from your retirement plan calculator**

These tools, as well as other valuable online resources, are always available to help you reach your long-term goals.

As your savings situation evolves, you may have additional concerns in the days, weeks and months ahead. Please contact your employer, or check back with Empower, to learn more about your options.

➤ **Log in to your account now**

*Information in this document is current as of April 1, 2020, and is subject to change based on legislative updates. Empower will communicate relevant changes to you and your retirement plan as appropriate.*

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1 “From Confidence to Concern: America’s Financial Outlook in the Face of a Pandemic,” Empower Institute, March 27, 2020.

# Ways to save and access money in the time of coronavirus

If you are experiencing financial distress during this challenging time, think about taking the steps below in order to help ease your financial burden.

## 1 **See if you're eligible for a stimulus check**

For people who meet the requirements, the checks will provide:

- \$1,200 for single filers.
- \$2,400 for joint filers.
- \$500 for each qualifying child.

Visit [irs.gov](https://www.irs.gov) for qualifications and details.

## 2 **File for unemployment**

If you are unemployed, file for unemployment and apply for COBRA if your former employer offers it. The CARES Act adds an additional \$600 a week to whatever benefits your state provides.

## 3 **Evaluate your subscriptions**

Review services you are signed up for and cancel them if you no longer need them.

## 4 **See if you can delay payments**

Contact your phone, internet and utilities providers to ask for help paying your bills, delay payments or set up a payment plan.

## 5 **Check your student loan options**

The CARES Act provides different options depending on the type of loan you have. Contact your loan provider or go to [studentaid.gov/announcements-events/coronavirus](https://studentaid.gov/announcements-events/coronavirus) for more information.

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## 6 **Contact your loan providers**

If you have a credit card balance, auto loan or mortgage, contact the provider to ask about your options.

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## 7 **Talk to your landlord**

If you rent, contact your landlord to ask for deferred payments. Remind them that their bank may be able to defer their mortgage payments.

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## 8 **If you're over 59½, tap into your retirement savings**

If you've already used other forms of savings, consider withdrawing money from your retirement savings account.

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## 9 **Consider your home equity**

If you own a home and have equity in it, you could apply for a home equity line of credit or refinance and take cash out.

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## 10 **Think about a personal loan**

Contact your bank or other personal loan provider to see if you can get a personal loan.

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## 11 **Borrow from your retirement savings account**

If your plan allows and you qualify:

- You may be able to take a loan from your retirement savings account. If you qualify under the CARES Act, you may be eligible to take an increased loan amount.
- You could consider taking a CARES Act withdrawal. Keep in mind the benefit of long-term investing possibilities.
- You may be eligible to take a traditional hardship withdrawal or traditional loan depending on your plan.

## Comparing the ways to tap into your retirement savings

	CARES ACT WITHDRAWAL (until 12/31/20)	CARES ACT LOAN (until 9/22/20)	TRADITIONAL PLAN LOAN	TRADITIONAL HARDSHIP WITHDRAWAL
<b>Maximum amount</b>	\$100,000	The lesser of \$100,000 or 100% of your vested account balance	The lesser of \$50,000 or 50% of your vested account balance	Determined by plan and not to exceed documented financial need
<b>Penalty</b>	No, 10% early withdrawal penalty is waived	No	No	Yes, 10%
<b>Taxes owed</b>	Yes, although tax withholding is voluntary at the time of the withdrawal, and taxation may be spread over 3 years	No	No	Yes
<b>Empower administrative fees</b>	Waived by Empower	Waived by Empower	Waived by Empower	Waived by Empower
<b>Repayment</b>	Optional over 3 years	Yes, but the payments between 3/27-12/31 may be delayed	Yes, but the payments between 3/27-12/31 may be delayed	No
<b>Interest due</b>	No	Yes	Yes	No
<b>Qualifications</b>	Coronavirus-related qualified persons <sup>1</sup>	Coronavirus-related qualified persons <sup>1</sup>	Coronavirus-related qualified persons <sup>1</sup> eligible for loan repayment suspension	Must document need for hardship

### Keep in mind

Taking a loan or withdrawing money from your retirement account early should be a last resort. We understand that sometimes unusual times call for unusual actions. Before making decisions about taking money out of your retirement savings, please discuss your options with a tax professional.

Find more valuable information in the Empower Retirement Learning Center, including calculators on how taking a loan from your retirement account could impact your future.

### Visit the Learning Center

► [learningfromempower.com](https://learningfromempower.com)

1. Click *Calculators* in the top right corner.
2. Select *Borrowing from your retirement plan* or *Withdrawals before retirement* below *Spending calculators*.

<sup>1</sup> To qualify for a CARES Act withdrawal or loan, you must be a person who has been diagnosed with COVID-19 by a test approved by the Centers for Disease Control and Prevention; a person with a spouse or dependent who has been diagnosed; or someone experiencing adverse financial consequences due to being furloughed, quarantined or laid off; having their paid work hours reduced; being unable to work due to lack of childcare; or having to close or scale back a business due to coronavirus.

<sup>2</sup> To qualify for a traditional hardship withdrawal you need to provide documentation proving a need that is available for hardship under the terms of the plan.

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