

CORONAVIRUS-RELATED RETIREMENT PLAN LOANS AND DISTRIBUTIONS IN THE NEW FEDERAL CARES ACT

CAUTION— A loan or distribution from your retirement account can reduce your future retirement income. Carefully consider your financial needs and all options before making your decision to withdraw funds from your retirement savings. The following is a summary of the CARES Act and common questions received.

What is the CARES Act?

The CARES Act - the Coronavirus Aid Recovery and Economic Security Act – was passed in March 2020. Among the Act's many provisions, it provides for loans and distributions from retirement accounts.

What does the CARES Act do with retirement plans?

It provides participants with the option of taking distributions of up to a total of \$100,000 from their vested account balances in the University 403B and 457 Retirement Plans. It also provides the option of taking loans of up to a total of \$100,000 from vested account balances.

The market is down, isn't this the best time to take a distribution from my account along with reducing my payroll contributions to retirement?

Most investment experts say No. If you liquidate your equity investments in order to take a distribution, you are in essence "selling" when the market is low. And while the value of your investments are down, so is the cost to buy those investments. If you continue your current payroll deductions, you are "buying" when the market is low.

Does this type of loan or distribution reduce my retirement account balance?

Yes.

A distribution will reduce your account balance at the time you take the distribution. It will also reduce your future retirement accumulations as you will not continue to earn interest on the amount taken from your account.

A loan will reduce your account balance for the period of the loan. You will lose the earnings on the loan amount for the time period of the loan. When you repay the loan your future account balance will contain that repaid loan amount. If you default on the loan your retirement account will be reduced and tax penalties will apply.

Are there any qualifications or restrictions in taking a loan or distribution?

Yes.

The loan or distribution must be COVID-related. You may qualify if:

- You or your spouse or dependent have been diagnosed with COVID19 or SARS-COV-2.
- You suffer financial consequences as a result of quarantine, employment furlough, layoff, reduced work hours or cannot work due to the lack of childcare as a result of COVID19.
- You experience financial loss to an individually owned or operated business caused by closing or reduction in hours due to COVID19.

Which is better, taking a loan or a distribution?

After considering all options, if taking money from your retirement savings is necessary, the better decision may be different for everyone.

With a Distribution:

- With a distribution you may choose to reinvest (repay) the distribution but there is no penalty if you don't. You may withdraw up to \$100,000 of your vested account balance and the required 10% tax penalty and 20% tax withholding are waived. You will owe taxes on the distribution but may pay those taxes over a three-year period and you may choose to reinvest the distribution within three years of the distribution.

With a Loan:

- With a loan, if you don't repay the loan amount taxes and early distribution penalties will apply. The loan limit is increased to 100% of your vested account balance up to \$100,000. You will have up to six years to repay the loan but if not repaid, taxes and early distribution penalties will apply. If you already have two open loans from your retirement accounts, you will not be eligible for a third loan. Or if you have previously defaulted on a loan from your retirement account you will not be eligible for an additional loan until that defaulted loan is repaid.

I want to explore taking a loan or distribution, what are the next steps?

CARES Act applications and processing are handled directly with TIAA and Fidelity. Both are prepared to assist you in reviewing the details of your loan and distribution options and if you qualify, will assist you in the required certification process

Contact TIAA or Fidelity for qualification and processing details:

TIAA, 1-800-842-2252

Fidelity, 1-800-343-0860

Your campus HR Office will confirm your vested status with TIAA and Fidelity but does not process, review or approve these applications.

NOTE: All information provided here is general and summary in nature. Please contact TIAA or Fidelity to discuss specific regulations, eligibility and availability of funds.