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COVID-19 Update:
What's the effect on my RMD?

The ongoing COVID-19 pandemic is creating a litany of issues to address, and 2020 tax and retirement planning is certainly one of those considerations. As such, we thought it would be helpful to aggregate and highlight some of the main developments that have occurred since year-end. It's also very possible that responses from policymakers will continue to evolve given the dramatic impact the COVID-19 outbreak has had already.

Many of you may already know that several of the provisions within the Setting Every Community Up for Retirement Enhancement (SECURE) Act went into effect January 1, 2020. This included raising the required minimum distribution (RMD) age to 72 from 70.5 (for those reaching 70.5 after 12/31/2019), removal of the age cap (formerly 70.5) on IRA contributions for those still earning income, and replacing the "stretch" IRA with a 10-year rule for the majority of beneficiaries, to name a few.

On March 21, 2020, the Internal Revenue Service (IRS) announced that both the 2019 tax filing and payment deadlines have been pushed out until July 15, 2020. This is automatic and applies to all trusts, corporations and individual returns.

Shortly thereafter, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed, at an estimated $2.2 trillion. Primarily intended to provide economic relief to individuals and businesses, it also incorporated some notable provisions for retirement plan stakeholders. Specifically:

1. RMDs are suspended for 2020. This also includes RMDs associated with inherited IRAs.
   In the event an IRA owner has already satisfied or withdrawn a portion of their 2020 RMD, it will still need to be included as income and taxed accordingly. One way to avoid such is to facilitate a 60-day rollover. The IRS grants a 60-day period to redeposit any distributed funds back into a qualified retirement account in order to avoid those funds from being reported as income.
2. The standard 10% penalty for early distributions from qualified retirement plans is waived. This is retroactive to Jan 1, 2020 and extends through Dec 31, 2020, up to a cumulative amount of $100,000.

With this said, it may be a good time to evaluate and consider your options. While some investors may take the opportunity to defer IRA distributions, others may decide that converting a portion of their IRA or RMD as "shares-in-kind" to a ROTH IRA makes the most sense for their situation. The U.S. entered 2020 with a gross Debt-to-GDP ratio of ~107%[1]. For investors anticipating higher tax rates in the future, a ROTH IRA could be a way to incorporate additional tax diversification into a wealth plan. For those that have been utilizing Qualified Charitable Distributions instead, the good news is that they are still permitted as well.

As always, if you have any questions or would like to discuss any changes to your financial situation, please feel free to contact your Advisor at any time.

[1] *U.S. Bureau of Economic Analysis; U.S. Department of the Treasury*

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