



**To: All Sunset Bank & Savings I.R.A. & H.S.A. Owners**

**RE: Setting Every Community Up for Retirement Enhancement (SECURE) Act and the Coronavirus Aid, Relief, and Economic Security (CARES) Act.**

As you may have heard, Congress passed the SECURE Act on December 20, 2019 and it became **effective as of January 1st, 2020**. On March 27, 2020, the CARES Act was also signed into law, to address COVID-19. As a valued customer, we want to provide you with an initial overview of some of the key changes outlined in the Acts. As always, you should consult with your personal tax advisor regarding how the changes may affect you.

**SECURE Act Summary of Changes:**

- **Traditional IRA Contributions**
  - The prohibition on making deductible contributions to a Traditional IRA after the age of 70½ is repealed. For taxable year 2020 and beyond, the Act allows anyone that is working and has earned income to contribute to a traditional IRA regardless of age.
  
- **Delayed age for Required Minimum Distributions (RMD's)**
  - The law increases the age at which an individual must begin taking required minimum distributions (RMDs) from 70½ to 72. The Act states that this change applies beginning with IRA account owners who will attain 70½ on or after January 1, 2020.
  
  - This would mean that those reaching age 70½ in 2019 would need to continue to take RMDs in 2020. The IRS may provide further guidance on this point so those who reached age 70½ in 2019 may want to speak with their tax advisor about their 2020 distribution approach.
  
- **Inherited IRAs**
  - For anyone who inherited an IRA from an original IRA owner who passed away prior to January 1, 2020, no changes to your current distribution schedule are required. However, for situations where the original IRA account owner passes away after December 31, 2019, fewer beneficiaries will be able to extend distributions from the inherited IRA over their lifetime. Many will instead need to withdraw all assets from the inherited IRA within 10 years following the death of the original account holder. Exceptions to the 10-year distribution requirement include assets left to a surviving spouse, a minor child, a disabled or chronically ill individual, and beneficiaries who are less than 10 years younger than the decedent.

Sunset Bank & Savings  
521 W. Sunset Drive  
Waukesha, WI 53189

- **Penalty-Free IRA Withdrawals for Certain Births/Adoptions**
  - While taxable IRA withdrawals taken prior to age 59½ are typically subject to the IRS early withdrawal penalty, certain exceptions exist. Beginning January 1, 2020, a new penalty exception allows certain qualifying individuals to withdraw up to \$5,000 from an IRA (or other tax-qualified savings plan) before age 59½ in the case of a qualifying birth or qualifying adoption.

## **CARES Act Summary of Changes:**

As you may be aware, the CARES Act was designed to help provide financial stability and relief for individuals and businesses affected by COVID-19. The Act includes changes that may affect your retirement account(s) and / or H.S.A. account. Among the very broad provisions of the Act was a temporary waiver of required minimum distributions (RMDs) for retirement plans and IRAs in 2020. This provision also applies to RMDs due in 2020, but attributable to 2019. See a summary of some of the provisions that may affect your tax favored deposit account(s) below.

## **Retirement and Other Employee Benefit Plans Relief**

The CARES Act provides additional relief with respect to distributions and participant loans under defined contribution plans, funding relief for defined benefit plans and enhanced flexibility for health care options and tuition assistance. The deadline for amending retirement plans for these changes is the last day of the first plan year beginning on or after January 1, 2022. These provisions can be implemented immediately. What this means to you is that these provisions offer employees and employers additional options to address the potential financial hardships that arise as a result of the effects of COVID-19 and offer additional ways to access health care and prescriptions.

## **Minimum Required Distributions**

The CARES Act temporarily waives the required minimum distribution rules for 2020 with respect to certain defined contribution plans and IRAs.

## **Coronavirus-Related Distributions**

Individuals may take coronavirus-related distributions from qualified retirement plans of up to \$100,000 without such distributions being subject to the 10% early distribution tax. Such distributions are subject to federal income taxation, which may be ratably spread over the three taxable year period beginning with 2020. An individual who takes a coronavirus-related distribution may repay the distribution to an eligible retirement plan during the three-year period beginning on the day after the date of the distribution. Repayments within the three-year period will result in the distribution not being subject to federal income taxation, or in the case that the income tax has already been paid, permit the individual to receive a refund of the previously paid federal income tax. An individual must satisfy certain requirements in order to qualify for coronavirus-related distributions.

## **Enhanced Participant Loans**

A participant who qualifies for coronavirus-related distributions is permitted to take loans of up to the lesser of (1) \$100,000 (increased from \$50,000) or (2) 100% (increased from 50%) of the participant's vested account balance. In addition, loans from qualified retirement plans with respect to participants who qualify for coronavirus-related distributions are subject to participant loan delayed repayment relief. This relief provides that any due date for a participant loan repayment that occurs during the period beginning March 27, 2020, and ending December 31, 2020, shall be delayed for one year.

## **Funding Relief for Defined Benefit Plans**

Any required minimum contributions for a single employer defined benefit that are due during the 2020 calendar year are not required to be made until January 1, 2021, with accrued interest from the original payment due date to the actual payment date. Additionally, plan sponsors of defined benefit plans may treat the last plan year's adjusted funded target attainment percentage as the percentage applicable to plan years which include the 2020 calendar year for purposes of applying the funding-based limitation on shutdown benefits and other unpredictable contingent event benefits.

## **Access to Health Care / Additional Qualified Expenses for H.S.A's**

For plan years beginning on or before December 31, 2021, a high-deductible health plan may cover all telehealth services prior to a covered individual reaching the applicable deductible without risking the plan's status as a high deductible health plan. Employees covered under a high deductible health plan providing these services prior to reaching the deductible will continue to be eligible to make contributions to a health savings account. The purpose of this change is to increase access for patients who may have the coronavirus and to protect other patients from potential exposure. Individuals may also use funds in health savings accounts and health flexible spending accounts for the purchase of over-the-counter medical products, without a prescription from a physician.

The information herein is general and educational in nature and should not be considered legal or tax advice. Sunset Bank & Savings cannot guarantee that the information herein is accurate, complete, or timely. Sunset Bank & Savings makes no warranties with regard to such information or results obtained by its use, and disclaims any liability arising out of your use of, or any tax position taken in reliance on, such information. Consult an attorney or tax professional regarding your specific situation.