

April 2020

Understanding the CARES Act and what it means for you

For many of us, we're adjusting to a "new normal" as our jobs, families, and lives are impacted by COVID-19. If you're feeling uncertain about what's next and how to manage your money, know you're not alone.

The government recently signed into law a stimulus package—the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which offers a variety of relief programs for Americans. The CARES Act also has relaxed restrictions on early withdrawals and loans against retirement accounts for eligible individuals.

The CARES Act and Your Retirement Savings Plan:

- **Eligibility:** Participants are eligible to take an early withdrawal or loan from a Prudential Retirement savings if one of these qualifications:
 - Participant, participant spouse or dependent is diagnosed with COVID-19 by a test approved by the Centers for Disease Control and Prevention.
 - Participant has personally experienced adverse financial consequences as a result of reduced work hours, being quarantined, furloughed, or laid off; or if unable to work due to lack of child care or business closures related to the coronavirus pandemic. This does not include financial distress suffered by a spouse or dependent.
- **Early withdrawals (coronavirus-related withdrawals):**
 - Participant can withdraw up to \$100,000 without the usual 10% penalty.
 - Participant can spread out any owed income taxes over three years from the date of withdrawal. This tax treatment must be claimed on personal income tax returns for 2020.
 - Withdrawn money can be put back into the account before those three years are up, even though rules normally prevent contributing that much.
- **Loans:**
 - Participant can take a loan up to \$100,000 or 100 percent of vested balance. Regulations previously did not allow a loan greater than half the account balance, and no more than \$50,000.
 - This option for a higher loan is available from March 27 through Sept. 23, 2020.
 - Loan payments due between March 27 and Dec. 31, 2020, can be delayed for up to one year. The terms of this delay are subject to IRS guidance.

Additional relief is available, beyond the relief measures available through the CARES Act:

- **Hardship withdrawals:** Withdrawals allowed for economic reasons not directly tied to COVID-19, or for those living or working in a FEMA-declared federal disaster area.
- **Prudential is waiving all fees on loans and withdrawals until further notice.**
- **Required Minimum Distributions:** Prudential has discontinued automatic Required Minimum Distribution (RMD) for the remainder of the 2020 calendar year. RMD-eligible participants should contact Prudential if they wish to receive 2020 RMD.

While the CARES Act does provide relief for immediate needs, it's important to understand the impact these actions may have on your long-term financial goals. Withdrawing funds will reduce the growth potential of your retirement account and may require additional taxes be paid.

Contact a Prudential Retirement counselors to help you determine if the CARES Act is right for you, while still planning for your future:

- Contact Prudential to speak with, or schedule a virtual visit with a Retirement Counselor: 844-LGH-RET1 (844-544-7381) Monday–Friday, 8 a.m. to 9 p.m. ET. If you're calling with specific questions about one of the relief programs, mention CARES Act when prompted.



- Visit Prudential's website to learn more about the CARES Act, market volatility, and how to manage retirement accounts quickly online: www.prudential.com/COVID19 or access your account online at **LGHealthRetire.org**.

This material is intended to provide information only. This material is not intended as advice or recommendation about investing or managing your retirement savings. By sharing this information, Prudential Retirement® is not acting as your fiduciary as defined by the Department of Labor or otherwise. If you need investment advice, please consult with a qualified professional.

Retirement products and services are provided by Prudential Retirement Insurance and Annuity Company (PRIAC), Hartford, CT, or its affiliates. PRIAC is a Prudential Financial company.

This information has been provided for your benefit and is not intended or designed to be tax advice. Neither Prudential Financial nor any of its affiliates provide tax or legal advice for which you should consult your qualified professional.

Any outstanding loan balance not paid back at termination becomes taxable in the year of default. Under the Tax Cuts and Jobs Act, for defaults related to termination of employment after 2017, the individual has until the due date of that year's return (including extensions) to roll over this amount to an IRA or qualified employer plan.

Retirement counselors are registered representatives of Prudential Investment Management Services LLC (PIMS), Newark, NJ, a Prudential Financial company.

© 2020 Prudential Financial, Inc. and its related entities. Prudential, the Prudential logo, and the Rock symbol are service marks of Prudential Financial, Inc. and its related entities, registered in many jurisdictions worldwide.

1034041-00001-00