September 2020

Updates to the CARES Act and relief through your Deferred Salary Plan

The government recently clarified language regarding the stimulus package —the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)—and expanded eligibility for early withdrawals and loans against retirement accounts

The CARES Act and your retirement savings

While your plan offers ways to access your savings normally, this relief program has expanded these options by providing loosened restrictions on early withdrawals and loans against retirement accounts for eligible individuals. You are eligible if you meet one of these qualifications:

- You, your spouse, or dependent is diagnosed with COVID-19 or with the virus SARS-CoV-2, by a test approved by the Centers for Disease Control and Prevention.
- You, your spouse, or a member of your household (i.e., someone who shares your primary residence) has experienced adverse financial consequences due to COVID-19 as a result of: being quarantined, furloughed, laid off, having work hours reduced, being unable to work due to lack of child care, having a reduction in pay (or self-employment income) or having a job offer rescinded or start date for a job delayed, the closing or reduction in hours of a business owned or operated by you, your spouse or a member of your household.

If you are eligible under the above qualifications, under the new law you have access to:

- **Early withdrawals (coronavirus-related withdrawals)**
  - Until December 30, 2020, you can withdraw up to $100,000 without the usual 10% penalty.
  - You can spread out any income taxes that you owe over three years from the date you took the withdrawal. You will need to claim this tax treatment on your personal income tax returns.
  - If you would like, you can put the money back into the account before those three years are up, even though the rules may normally keep you from contributing that much.
  - You must maintain your own documentation to support the Coronavirus-related distribution.
- **Loans**
  - You can take out a loan of up to $100,000 or 100% of your vested balance. Usually you can't take out more than half your balance, and no more than $50,000.
  - This option for a higher loan is available from March 27 through September 22, 2020.
  - Loan payments due between March 27 and December 31, 2020 can be suspended with your election.
  - If you elect to suspend your loan payments, you will receive a revised amortization schedule and loan payment amount. The adjusted loan payment amount will depend on the adjusted final payment due date (one year from the loan's original final due date) and the amount of interest that accrued during the time that your payments were suspended.
  - **Please note:** ***The delay in loan payments will not take place automatically.*** *To take advantage of this opportunity, you must contact Prudential at* ***877-JIB-401k*** *(877-542-4015). Participant service representatives are available weekdays from 8 a.m. to 9 p.m. ET.*

Additional relief is available

Beyond the relief measures made available through the CARES Act, here are other important things to consider:

- **Hardship withdrawals**
  Your plan may allow for hardship withdrawals for economic reasons not directly tied to the coronavirus. Or, if you live or work in one of the states that has been named by FEMA as a federal disaster area, you may qualify for a hardship withdrawal under federal disaster relief rules. To qualify, you will need to explain why the hardship withdrawal is due to the COVID-19 pandemic.

- **Prudential is waiving all fees on loans and withdrawals**
  Until further notice, all Prudential fees on loan applications and on withdrawals will be waived, including express mail fees.
- **Required Minimum Distributions**
  For those who turned 70½ before year-end 2019, you may normally be subject to taking a Required Minimum Distribution (RMD) from your account. Prudential has discontinued automatic 2020 RMD payments not already made, and they're no longer required for the remainder of the 2020 calendar year. If you would still like to take your 2020 RMD, let us know and we'll process it for you.
    - One RMD rule to keep in mind is that if you have a spouse as your sole beneficiary and that spouse is more than 10 years younger than you, a special table exists for calculating your amount each year. Please contact Prudential if you fall under this category.

Some things to think about before accessing your retirement savings
We understand it can be difficult to maintain a long-term focus right now, but we encourage you to keep your goals on track, as much as possible, so you can build a stronger financial future. Here are some things to consider:

- **The money you take out from your retirement savings loses its potential to grow for you.** It can put a permanent dent in your plan balance, as compounding is one of the most powerful tools to boost retirement savings.
- **Withdrawing savings during a down market may limit your ability to recover your losses.** If your retirement investments have experienced losses as a result of the recent market downturn, selling them now will "lock in" your losses.
- **You may need to pay tax on the money you withdraw.** If you are qualified, the CARES Act forgives penalties on withdrawals, but you will still owe ordinary income taxes if it is not paid back within three years.
- **Loans will need to be repaid.** If you are qualified to take your money as a loan, you will need to pay back the funds with after-tax dollars. You will also need to keep in mind your plan sponsor's approach to loans, such as requirements around payments or interest.

Next steps

- **Set up some one-on-one time with a retirement counselor and take action online**
  Questions? We are here for you. Schedule a virtual session with a Prudential education counselor, and visit our site to learn more about the CARES Act, market volatility, and how to manage retirement accounts quickly online: www.prudential.com/COVID19.
- **Give us a call.**
  If you would like to talk to a participant service representative or have any other questions on these relief programs, give us a call. Please mention the CARES Act when prompted. **877-JIB-401k** (877-542-4015), Monday–Friday, 8 a.m.–9 p.m. ET.

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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.

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