



Changes to 2020 Required Minimum Distributions and the CARES Act

The most recent stimulus package (known as the CARES Act), signed into law on March 27, provides relief to American taxpayers. One important provision of the CARES Act is the suspension of 2020 required minimum distributions from retirement accounts.

If you are subject to required minimum distributions in 2020 or if you turned 70.5 last year and planned to take your first required minimum distribution before April 1 this year, those required distributions are suspended. This can be beneficial for several reasons.

- First, it eliminates the need to liquidate invested assets to raise cash for the distribution, allowing those investments a greater chance to recover for the future.
- Second, retirement plan distributions are counted as ordinary income and therefore subject to taxation. By avoiding the distribution, you can reduce your taxable income in 2020.
- A third benefit is the flexibility this suspension allows. Now, you can work with your advisor to choose whether to distribute money from your retirement account this year and how much, or whether to convert some or all to a Roth IRA.

Also, you may be eligible to execute a 60-day rollover to return some of the money you have already distributed from your retirement account. There are a couple things to consider before making changes to your distributions, such as whether you need all or a portion the distribution to pay for your living expenses, and whether you have another source of funds to meet your cash flow needs.

If you don't need the distribution for your expenses, we may want to look at whether there is a tax benefit to avoiding the income this year. In some cases, it may be advantageous to realize some income now to allow for greater tax savings in the future. This could mean continuing your distribution in full or in part for the year, or it may mean looking into a Roth conversion.

There is no one-size-fits-all answer to how you should manage your IRA distributions. Maybe you are receiving monthly distributions from your IRA. Maybe you were thinking of using your RMD for charitable contributions this year. These are things you should bring up with your advisor, who can help you navigate the current market conditions and understand how the new stimulus package affects you directly.