What You Should Know About the CARES Act

While saving is paramount to financial health, doing so can be difficult during trying times such as these. The $2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law on March 27, 2020, aims to combat that difficulty through various provisions. Following are answers to some questions you may have about how the Act may impact you, as well as your retirement savings:

Will I receive a check from the government?

Most adults will receive up to $1,200 depending on their income level and individual circumstances, or $2,400 for joint filers. For households with qualifying children age 16 or under, the payment will be an additional $500 for each child.

Do I have to take required minimum distributions (RMDs) in 2020?

Typically, retirement plan and IRA distributions must be taken at a certain age – until recently, age 70½. However, the CARES Act allows for RMD suspensions in 2020. Although you are not required to take RMDs from either a retirement plan or an IRA in 2020, you can if you choose to do so. And if a beneficiary is receiving distributions over a five-year period, he or she can waive the distribution for 2020.

Can I withdraw money from my retirement plan?

If permitted by your plan, and you are considered a qualified individual, you can take up to $100,000 as an in-service distribution without penalty, regardless of your age. If you take a distribution, you may spread the income tax ratably over three years and may repay the distribution to the plan within three years. If you are eligible for a withdrawal, you still must pay ordinary income tax, but the 10% penalty is waived. Please check with your tax adviser or attorney for the latest information and options available to you with respect to your specific circumstances.

Will I be able to take a loan?

Loan limits for qualified individuals have been increased to the lesser of $100,000 or 100% of a vested account balance for 180 days after enactment of the law. This is an increase from current-law loan limits of the lesser of $50,000 or 50% of vested account balance. You may be able to take an extra year to repay any outstanding loan as of the date of the CARES Act enactment.

It's important to remember that, even in times of crisis, saving as much as possible for your future is crucial. Short-term hardships, if managed correctly, can have a minimal impact on your savings in the long term. If you have questions about your retirement savings, please contact your local Mutual of America representative today.

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1 This provision begins being effective for calendar years after December 31, 2019. RMD suspensions apply to any distribution required to be made in 2020 either because of a required beginning date occurring in this calendar year, or if such distribution was not made before January 1, 2020.

2 A "qualified individual" is an individual who (a) has been diagnosed with COVID-19, or (b) has a spouse or dependent who was diagnosed with the virus, or (c) experienced various adverse financial consequences related to the pandemic as set forth in the Act, and any additional factors as may be determined by the Secretary of the Treasury.
You should consider the investment objectives, risks, and charges and expenses of the variable annuity contract and the underlying investment funds carefully before investing. This and other information is contained in the contract prospectus or brochure and underlying funds prospectuses and summary prospectuses, which can be obtained by calling 1-800-468-3785 or visiting mutualofamerica.com. Read them carefully before investing.

Mutual of America's group and individual retirement products are variable annuity contracts and are suitable for long-term investing, particularly for retirement savings. The value of a variable annuity contract will fluctuate depending on the performance of the Separate Account investment options you choose. Upon redemption, you could receive more or less than the principal amount invested. A variable annuity contract provides no additional tax-deferred treatment of benefits beyond the treatment provided to any qualified retirement plan or IRA by applicable tax law. You should consider a variable annuity contract's other features before making a decision.