

RMD and COVID-19 Related Distributions

Frequently Asked Questions

My advisor has a client that will be stopping their RMD for 2020 and would like to make some Qualified Charitable Distributions (QCD's) from the account. Is there a policy on how many are permitted and if there is a minimum amount?

There is no minimum or limit on the number of transactions. Would suggest not doing for less than \$250 per transaction.

Can I still make a Qualified Charitable Distribution (QCD) from my IRA in 2020?

Yes, the tax benefit of the QCD remains for 2020. The RMD is an attractive way for donors to make a significant charitable gift directly from their IRA to a charity through a qualified charitable contribution (QCD) while avoiding taxable income. Making a QCD this year will still allow itemizers and non-itemizers to direct up to \$100,000 from their IRA to charities in a tax efficient manner. Donors directing a QCD to charity this year (up to \$100,000 per individual) will still reduce their taxable IRA balance.

If I took my RMD out in the past 60 days am I able to put the RMD back?

Yes. If the distribution occurred less than 60 days ago, you are able to roll the distribution back into the original IRA or another IRA by processing a 60-day rollover. If you took multiple RMD payments in 2020 you cannot roll them all back into your account, you are allowed only one 60-day rollover during a 12-month period. Note: The RMD waiver applies to inherited IRAs however non-spouse beneficiaries are not eligible to do a 60-day rollover the way IRA owners are; but spouse beneficiaries can roll back a beneficiary distribution into their own IRA.

Do waived RMD's include 457 plans?

Yes, waived required minimum distributions in 2020 include governmental 457(b) plans (but not non-governmental 457(b) plans). Required minimum distributions that would have had to start in 2020 do not have to start until 2021, this includes distributions from 401(k), profit sharing, 403(b) and state-sponsored plans 457 plans. Note that if you turn age 72 in 2020, you will still need to take your 2020 RMD by April 1, 2021, and you will need to take your RMD for 2021 by December 31, 2021.

Does the RMD suspension apply to Inherited IRAs?

Yes, 2020 RMDs for IRA beneficiaries and qualified plan beneficiaries are also waived. If you inherited an IRA and are subject to the five-year payout rule, this payout window is extended by one year since 2020 is excluded

To forgo RMDs in 2020, do you need to advise your custodian or will they automatically not take it?

This depends on the arrangements you have set up with the custodian; if you and custodian have agreed on a regular distribution date or schedule, then you should notify the custodian he/she doesn't want to take a 2020 distribution.

Does the waiver apply to individuals who are beneficiaries?

Yes, the waiver also applies to individuals who have an RMD requirement for 2020 and are beneficiaries under an inherited IRA or of a deceased participant who had an account in a retirement plan. If the beneficiary is required to take all distributions from the plan or IRA within five calendar years following the death, the 2020 year does not count in determining the five-year period.

Does the rollback rule apply to 2020 RMDs received by a beneficiary?

No, this rollback rule does not apply to 2020 RMDs received by a non-spouse beneficiary under an inherited IRA or of a deceased participant in a retirement plan. If a non-spouse beneficiary received an RMD during 2020, the amount cannot be rolled back.

What happens to RMD deadlines?

RMDs for individuals over age 70 ½ are suspended until 2021. For 2021 and beyond, the RMD rules will be applied as if 2020 never happened. In other words, all the RMD deadlines in future years will apply as usual, and any deadlines that would have otherwise applied for 2020 will simply be ignored.

Are there other ways that I can access money from my retirement account?

Yes. Clients can take COVID-19 related distributions. IRA/Retirement Plan Owners can take up to \$100,000 (in aggregate) from IRAs and/or employer plans. Distribution must be made at any time in 2020.

Distributions must meet one of the following criteria (overall fairly broad provisions):

- Individual must have been diagnosed with COVID-19
- Individual must have spouse/dependent diagnosed with COVID-19
- Must have experienced adverse financial consequences as a result of being quarantined, furloughed, been laid off or had work hours reduced because of the disease
- Individual is unable to work because they lack childcare as a result of the disease
- Own a business that closed or operated under reduced hours b/c of the disease, or
- Individual must have met some other reason the IRS decides to say is OK

What else do I need to know about COVID-19 related distributions from retirement plans?

Distributions are exempt from 10% early withdrawal penalty, which is important if under 59 ½ years of age.

They are not subject to mandatory withholding from employer plans. The employee can self-certify that the distribution is COVID-19 related. Distributions are eligible to be repaid over 3

years, starting the day after the distribution is received. Effectively a 'roll back' into the account. Distributions can be re-paid with multiple payments. Distributions are taxable but can be reported as income and spread over 3 years (2020, 21 and 22, equally) or fully taxable in 2020.

Independent Advisor Solutions by SEI, a strategic business unit of SEI Investments Company (SEI).

For Financial Intermediary Use Only. Not for Public Distribution.

The information contained herein has been provided to SEI by an unaffiliated third party. SEI cannot guarantee the accuracy or completeness of the information and assumes no responsibility or liability for its incompleteness or inaccuracy.

Neither SEI nor its affiliates provide tax advice. Please note that (i) any discussion of U.S. tax matters contained in this communication cannot be used by you for the purpose of avoiding tax penalties; (ii) this communication was written to support the promotion or marketing of the matters addressed herein; and (iii) you should seek advice based on your particular circumstances from an independent tax advisor.