

Coronavirus

Can I Skip My Retirement Distribution Because of the Coronavirus?

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By Karin Price Mueller | NJMoneyHelp.com for NJ.com



Q. Has the IRS waived the requirement for taking 401(k) distributions this year? My accountant said I don't have to take my IRA distribution, but will have to take the money from my 401(k)? – Retired

The Coronavirus Aid, Relief, and Economic Security Act, or CARES Act, has a provision that essentially suspends all Required Minimum Distributions from IRAs and workplace retirement plans for 2020.

The waiver applies to traditional IRAs and workplace plans like SEP, SIMPLE, 401(k), 403(b) and 457(b) plans, said George Kiraly, a certified financial planner with LodeStar Advisory Group in Short Hills.

He said it also applies to 2019 RMDs that were due by April 1, 2020 for individuals who turned 70½ last year and didn't take the RMD before Jan. 1, 2020.

Other types of distributions are unaffected by the CARES Act's relief such as RMDs for defined benefit plans including cash balance plans and non-governmental 457 plans. Distributions from annuitized annuities held in IRAs, 401(k)s and other defined contribution accounts, 72(t) distributions and Qualified Charitable Distributions (QCDs) are also still required, he said.

"The RMD suspension applies not only to people who are taking distributions from their own retirement accounts, but also to people with inherited IRAs that are subject to RMDs, Kiraly said. "The suspension is effective for the full year — Jan. 1, 2020 through Dec. 31, 2020."

If you've already taken your distribution for 2020, and now you don't want or need it, you may be able to put the money back into your retirement account, he said.

“There’s an IRS rule that allows a withdrawal from a retirement account to be ‘rolled over’ within 60 days without any tax implications,” he said. “So, in the case of an RMD, you could roll it back into the account you withdrew it from or even move the money into another retirement account.”

If the 60-day window has already passed, the CARES Act lays out a few very specific scenarios which allow you to overcome this time constraint, he said.

“The RMD waiver does not mean distributions cannot be made,” he said. “You may need your RMD to cover living expenses. You can still take 2020 distributions from retirement accounts.”

Email your questions to Ask@NJMoneyHelp.com.

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