



Accessing Retirement Account Funds in Times of Need

Lincoln is here to help

COVID-19 has disrupted many aspects of our daily lives, including our finances. To help you cope with a financial hardship you may be experiencing as a result of COVID-19, your employer is making available certain retirement plan distribution and/or loan options included in the recently enacted CARES Act legislation.

What are the CARES Act distribution and loan provisions?

The 2020 Coronavirus Aid, Relief, and Economic Security Act—known as the CARES Act—allows you to take up to \$100,000 in the form of a retirement account distribution and/or loan. Before you decide to pursue either option, be sure to make an informed decision. Here's how they work:

1. Penalty-free, coronavirus-related distributions (CRDs) — subject to the terms of your plan

You can take up to \$100,000 from the vested balances in your retirement plan accounts, including IRAs, as a CRD. You can take money from more than one retirement account, but the maximum you can withdraw as a CRD from all your retirement accounts combined is \$100,000. You won't be subject to the normal 10% early withdrawal penalty (if you're under 59½) or the 20% mandatory tax withholding. However, 10% federal tax withholding will apply unless you elect no tax withholding on the CARES Act distribution request form.

Are you eligible to take a distribution or loan?

You are eligible if you meet **one of the following** criteria:

- ✔ You have contracted COVID-19
- ✔ Your spouse or dependent has contracted COVID-19
- ✔ You have lost your job, been furloughed, or are working a reduced schedule because of COVID-19
- ✔ You are unable to work due to loss of childcare because of COVID-19

While your distribution is considered ordinary income and is taxed, you can spread that expense over three years and pay a portion of the tax each year.

You can take the distribution on or before December 30, 2020. You also have the option to repay the distribution back to your retirement account over a three-year period, in which case it will be treated as a direct transfer and will not be taxed.

You can request a distribution more than once (up to the \$100,000 vested balance maximum across all of your retirement accounts). This allows you the ability to request enough money to meet your short-term needs while retaining as much in your retirement account as possible.



2. Expanded loan provisions—subject to the terms of your plan

You can borrow up to 100% of your vested balance or \$100,000 (whichever is less) from eligible retirement plan accounts during the qualifying period from March 27, 2020, through September 23, 2020, and pay it back, along with accrued interest.

Note: Additional expanded loan provisions may be available in your plan. Please check with your Lincoln representative if you have questions about the provisions available to you.

Before you take out a loan, it's important to remember that if you leave your job for any reason, you'll need to pay off the loan, unless your plan allows you to continue to make repayments after you've terminated employment. Otherwise, it will be considered a distribution, and you will be taxed on the entire remaining loan balance and may be required to pay a 10% early withdrawal penalty.

Before you request a CRD or loan

The CARES Act provisions provide you with increased access to your account, which can provide financial relief during this time, but be sure to consider the potential drawbacks:



Due to recent market volatility, your account value has likely decreased. By withdrawing money now, you're hindering your potential to recoup any recent losses.



Money that you take out of your account stops working for you—causing you to miss out on valuable earning potential.



There's a chance that while you're repaying your loan or distribution amount back to the plan, you may need to decrease or stop making your regular plan contributions—making it more difficult to meet your retirement saving goals.

Bottom line

These are challenging times, and the expanded distribution and/or loan provisions can offer you a financial safety net. As you evaluate your options, be sure to balance your current needs with the potential long-term negative effects a distribution or loan can have on your retirement savings.

You may want to consider taking smaller distributions as needed, rather than requesting the maximum amount allowed. This gives you the flexibility to be conservative in the amount you request for immediate needs while preserving as much of your savings as possible for the future.

Compare CARES Act CRD and loan options*

	CRD	Loan
 Eligibility	Must meet COVID-19 eligibility requirements	Must meet COVID-19 eligibility requirements
 Maximum amount	Up to \$100,000 of your vested balance	100% of your vested account balance or \$100,000 (whichever is less)
 Repayment terms	May be repaid within three years to avoid paying taxes on the distribution	Repaid according to plan loan rules. Any amount not repaid is subject to income taxes and possible penalty. Note: Additional expanded loan provisions may apply.
 Income taxes	Taxed as ordinary income; can spread the expense evenly over three years	No current income tax due if repaid according to plan loan rules. If the loan defaults, the outstanding balance is taxable as ordinary income
 Other considerations	You can request a distribution more than once, up to the \$100,000 maximum	Check with your Lincoln representative to determine the CARES Act loan provisions available to you

*Subject to the terms of your plan.

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