Summer 2020

Estate Planning Update Summer 2020 - Update on Planning with Retirement Accounts

One of the notable provisions relating to retirement accounts in the CARES Act is the waiver of 2020 required minimum distributions (RMDs) from certain retirement accounts, including defined contribution retirement plans and individual retirement accounts (IRAs). If an individual withdrew his or her 2020 RMD before the CARES Act waived this requirement, then the individual will have 60 days after the date of withdrawal to roll back the distribution into the retirement account and avoid taxation in 2020.

The CARES Act also waives the 10 percent penalty imposed on early withdrawals of up to $100,000 from qualified retirement plans. The withdrawal must be a COVID-19-related distribution as defined in the CARES Act and is subject to income tax over a three-year period unless recontributed to the retirement account within that three-year period.

Although not related to the CARES Act, this may be a good time to explore the conversion of a traditional IRA to a Roth IRA. With the current market volatility, a conversion to a Roth IRA may result in a lower amount of taxable income recognized in the conversion and provide an opportunity for the account to grow income tax-free as the market recovers.

In addition to these planning opportunities, it is important to keep in mind the provisions of the SECURE Act, as discussed in our special edition of the *Estate Planning Update* in January 2020, which made a variety of changes to the treatment of retirement accounts and may require changes to your estate plan.

For more Day Pitney alerts and articles related to the impact of COVID-19, as well as information from other reliable sources, please visit our COVID-19 Resource Center.

COVID-19 DISCLAIMER: As you are aware, as a result of the COVID-19 pandemic, things are changing quickly and the effect, enforceability and interpretation of laws may be affected by future events. The material set forth in this document is not an unequivocal statement of law, but instead represents our best interpretation of where things stand as of the date of first publication. We have not attempted to address the potential impacts of all local, state and federal orders that may have been issued in response to the COVID-19 pandemic.

Day Pitney Estate Planning Update- Summer 2020 (pdf)