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## The CARES Act and your Deferred Salary Plan

For many of us, we are adjusting to a “new normal” as our jobs, families, and lives are impacted by COVID-19. If you are feeling uncertain about what happens next and how to manage your money, know that you are not alone. And as your retirement plan provider, Prudential is here to help. Our goal is, and always has been, to help you save for the long term and prepare for your financial future. We recognize you may need to prioritize managing your short-term financial needs in the current situation. And, if that is the case, we are here to provide you with important information and resources you may need to make the best decisions for you and your loved ones.

The government recently signed into law a stimulus package—the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). It offers a variety of relief programs for Americans, such as cash payments, temporary federal student loan relief, and expanded unemployment benefits. These programs can certainly help, but they may not be enough to fully cover your immediate needs.

### The CARES Act and your retirement savings

While your plan offers ways to access your savings normally, this relief program has expanded these options by providing loosened restrictions on early withdrawals and loans against retirement accounts for eligible individuals. You are eligible if you meet one of these qualifications:

- You, your spouse, or dependent is diagnosed with COVID-19 or with the virus SARS-CoV-2, by a test approved by the Centers for Disease Control and Prevention.
- You have personally experienced adverse financial consequences as a result of being quarantined, furloughed, or laid off; if your work hours have been reduced; or if you are unable to work due to lack of childcare or business closures related to the coronavirus pandemic.

If you are eligible under the above qualifications, under the new law you have access to:

- Early withdrawals (coronavirus-related withdrawals)
  - Until December 30, 2020, you can withdraw up to \$100,000 without the usual 10% penalty.
  - You can spread out any income taxes that you owe over three years from the date you took the withdrawal. You will need to claim this tax treatment on your personal income tax returns.
  - If you would like, you can put the money back into the account before those three years are up, even though the rules may normally keep you from contributing that much.
  - You must maintain your own documentation to support the Coronavirus-related distribution.
- Loans
  - You can take out a loan of up to \$100,000 or 100% of your vested balance. Usually you can't take out more than half your balance, and no more than \$50,000.
  - This option for a higher loan is available from March 27 through September 22, 2020.
  - Loan payments due between March 27 and December 31, 2020 can be suspended with your election. If you elect to suspend your loan payments, the new date of your final payment will be extended by the number of payments that are being suspended and your loan will be re-amortized immediately. A new payment schedule will be provided to you with loan payments restarting with the first payment due after January 1, 2021.
  - Please note: *The delay in loan payments will not take place automatically. To take advantage of this opportunity, you must contact Prudential at 877-JIB-401k (877-542-4015). Participant service representatives are available weekdays from 8 a.m. to 9 p.m. ET.*

Additional relief is available

Beyond the relief measures made available through the CARES Act, here are other important things to consider:

- Hardship withdrawals  
Your plan may allow for hardship withdrawals for economic reasons not directly tied to the coronavirus. Or, if you live or work in one of the states that has been named by FEMA as a federal disaster area, you may qualify for a hardship withdrawal under federal disaster relief rules. To qualify, you will need to explain why the hardship withdrawal is due to the COVID-19 pandemic.

- Prudential is waiving all fees on loans and withdrawals  
Until further notice, all Prudential fees on loan applications and on withdrawals will be waived, including express mail fees.
- Required Minimum Distributions  
For those who turned 70½ before year-end 2019, you may normally be subject to taking a Required Minimum Distribution (RMD) from your account. Prudential has discontinued automatic 2020 RMD payments not already made, and they're no longer required for the remainder of the 2020 calendar year. If you would still like to take your 2020 RMD, let us know and we'll process it for you. If you have already taken your RMD for 2020, you may want to consult with your tax advisor on whether the rules will allow you to roll over the RMD into a qualified plan or IRA, including back into the Deferred Salary Plan, as you may need to repay any taxes withheld from your disbursement.

Some things to think about before accessing your retirement savings

We understand it can be difficult to maintain a long-term focus right now, but we encourage you to keep your goals on track, as much as possible, so you can build a stronger financial future. Here are some things to consider:

- The money you take out from your retirement savings loses its potential to grow for you. It can put a permanent dent in your plan balance, as compounding is one of the most powerful tools to boost retirement savings.
- Withdrawing savings during a down market may limit your ability to recover your losses. If your retirement investments have experienced losses as a result of the recent market downturn, selling them now will “lock in” your losses.
- You may need to pay tax on the money you withdraw. If you are qualified, the CARES Act forgives penalties on withdrawals, but you will still owe ordinary income taxes if it is not paid back within three years.
- Loans will need to be repaid. If you are qualified to take your money as a loan, you will need to pay back the funds with after-tax dollars. You will also need to keep in mind your plan sponsor's approach to loans, such as requirements around payments or interest.

Next steps

- Set up some one-on-one time with a retirement counselor and take action online  
Questions? We are here for you. Schedule a virtual session with a Prudential education counselor, and visit our site to learn more about the CARES Act, market volatility, and how to manage retirement accounts quickly online: [www.prudential.com/COVID19](http://www.prudential.com/COVID19).
- Give us a call.  
If you would like to talk to a participant service representative or have any other questions on these relief programs, give us a call. Please mention the CARES Act when prompted. 877-JIB-401k (877-542-4015), Monday–Friday, 8 a.m.–9 p.m. ET.

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Any outstanding loan balance not paid back at termination becomes taxable in the year of default. Under the Tax Cuts and Jobs Act, for defaults related to termination of employment after 2017, the individual has until the due date of that year's return (including extensions) to roll over this amount to an IRA or qualified employer plan.

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