

IRA

2020 Planning Opportunities

July 16, 2020

The Coronavirus Aid, Relief, and Economic Security Act (CARES) and subsequent IRS guidance have created unique planning opportunities for individuals with IRAs.

- **Waiver of 2020 Required Minimum Distributions.** If you're currently receiving required minimum distributions (RMDs) from your traditional IRA or planned to begin in 2020, you don't have to take a withdrawal this year. The waiver also applies to inherited IRAs.

Planning Opportunity: You may want to consider converting a portion of your IRA to a Roth IRA in 2020. The process will be simpler because you don't have to first satisfy the RMD rules. Plus, your account value may be lower due to the current market volatility, reducing your tax liability.

- **Ability to Return RMD.** If you've already received your 2020 RMD, you can put it back in your IRA or inherited IRA by August 31, 2020. The distribution will not count as taxable income. Additionally, the standard 60-day rollover rule doesn't apply. You'll receive a credit for any tax withholding (withholding cannot be reversed).

Planning Opportunity: If you don't need the funds to meet current expenses, consider putting the RMD back in your IRA. Leaving the money invested now means you may have more down the road for the things you enjoy. That said, Qualified Charitable Distributions (QCDs) may still make sense to fulfill your charitable goals.

- **COVID-19-Related Distributions.** If you, your spouse, or a member of your household has been adversely affected by COVID-19, you may be eligible to withdraw up to \$100,000 from your IRA without any early withdrawal penalty. Additionally, the distribution will be taxed over three years unless you elect otherwise. You can also repay the entire amount to your IRA as a rollover during those three years. You must take the distribution before December 31, 2020.

Planning Opportunity: Given the unique tax treatment, you might take advantage of this distribution if you need money, especially if you have limited funds available in taxable accounts or believe you'll be able to repay the money and eliminate any tax consequences.

We're Here to Help.

Our wealth planning specialists understand the nuances of the CARES Act and IRAs. Working together, they'll help you evaluate these planning opportunities and others based on your circumstances. Contact a Cerity Partners advisor or visit ceritypartners.com to learn more.