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The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 provides more than $2 trillion in relief for businesses and individuals affected by the COVID-19 pandemic. The new law includes provisions that provide temporary support related to retirement assets and student loan payments to help Americans deal with the economic impacts of the pandemic. Here are 4 things to know.

1. Temporary Waiver of Required Minimum Distributions for Certain Retirement Accounts

The CARES Act waives all required minimum distribution requirements for tax-qualified defined contribution plans, including 401(k) plans), 403(a) and 403(b), government-sponsored Section 457(b) plans and IRAs for the calendar year 2020. The 2020 RMD waiver applies to individuals who have already been taking RMDs or those who would have taken their first RMD in 2020, including: (1) an individual who is 72 or older in 2020; (2) an individual who reached the age of 70½ prior to January 1, 2020; and (3) certain death beneficiaries.

Things to consider: The temporary RMD waiver applies to all individuals who were subject to an RMD requirement in 2020, not just those who may have been impacted by the coronavirus pandemic. If this waiver applies to you, be sure to monitor any updates to this legislation and make plans for taking required distributions in 2021.

2. Temporary Waiver of Early Withdrawal Penalty for a Coronavirus-Related Distribution from Retirement Accounts

The CARES Act provides qualified individuals affected by the coronavirus with access to retirement savings that typically would be inaccessible or subject to early withdrawal penalties. The new law waives the 10 percent early withdrawal tax penalty (that generally applies to early distributions for individuals under 59 ½ years old) from qualified retirement plans (e.g., 401(k) plans, 403(b) plans and traditional IRAs) for coronavirus-related distributions (CRDs) made between January 1, 2020, and December 31, 2020.

Qualified individuals may take up to a $100,000 distribution (in aggregate) from their qualified retirement plans. The waiver is available to individuals: (1) diagnosed with

COVID-19; (2) whose spouse or dependent is diagnosed with COVID-19; or (3) who experience adverse financial consequences as a result of being quarantined, furloughed, laid off, having work hours reduced, being unable to work due to lack of child care, closing or reducing hours of a business owned or operated by the individual due to COVID-19, or other factors as determined by the U.S. Treasury Secretary.

The CARES Act allows an individual to pay back the funds to a qualified retirement plan during the three-year period beginning the day after the date on which the individual receives a CRD without having the amount recognized as income for tax purposes. Income taxes will still be owed on withdrawn amounts that are not repaid, but individuals are permitted to pay tax on the CRD income over a three-year period. In addition, COVID-19-related distributions are exempt from the 20 percent mandatory withholding that normally applies to certain retirement plan distributions. Employees are required to sign a certification of the reason for the CRD but the plan administrators are not required to verify such certifications.

Things to consider: Individuals should check with their plan sponsors regarding the CARES Act relief and think carefully about withdrawing funds set aside for retirement. The economic impacts of the coronavirus pandemic are forcing many families to make tough financial decisions, but selling investments at a market low means you are locking in that loss rather than waiting for markets to improve. When you withdraw money from a retirement account, even without a 10 percent penalty, this can have significant impacts on your retirement savings because you lose out on the compound growth from any funds you withdraw. Absent an urgent need, investors may want to rely on emergency savings to the extent available, and remain focused on long term-financial goals.

3. Temporary Increase in Amount for Retirement Account Loans

In general, loans taken from a qualified retirement plan account (401(a), 401(k), 403(b) and government plans) are limited to the lesser of $50,000 or 50 percent of the participant's vested balance and must be paid back within five years. The CARES Act doubles these retirement plan loan limits for qualified individuals eligible for a CRD to the lesser of $100,000 or 100 percent of the participant's vested account balance. To qualify, the loan must be made within 180 days after the enactment of the CARES Act. The participant won't owe income tax on the amount borrowed from the 401(k) if it's paid back within five years.

In addition, qualified individuals with an outstanding loan from their plan (i.e., one taken before the CARES Act was enacted) with a repayment due between March 27, 2020, and Dec. 31, 2020, can delay their loan repayments for up to one year, although interest will continue to accrue on these delayed payments.

Things to consider: Before you determine whether to borrow from your retirement account, consider some of the advantages and drawbacks to this decision. On the plus side, you usually don't have to explain why you need the money or how you intend to spend it, the loan fees and interest rate might be lower than those available on a personal loan or a credit advance, and the interest you repay is paid back into your account. On the negative side, the money you withdraw will not grow if it isn't invested, and repayments are made with after-tax dollars that will be taxed again when you eventually withdraw them from your account. Also, if you lose your job, the loan generally will be considered a withdrawal on which you must pay income tax.

Importantly, employers may, but are not required to, offer COVID-19-related distributions and loan relief under their plans.

4. Relief for Student Loan Borrowers

The CARES Act expands a tax code provision that allows employers to contribute tax-free, tuition assistance to now provide temporary assistance with student loans. From March 27, 2020 through December 31, 2020, employers may reimburse employees up to $5,250 for loan repayment assistance or other education-assistance payments.

The CARES Act also offers relief for most federal student loan borrowers (including those who have direct loans, Perkins loans and Federal Family Education Loans owned by the U.S. Department of Education) by automatically suspending monthly payments from March 13 to September 30, 2020. While loan payments are suspended, interest will not accrue. The CARES Act relief does not apply to private student loans.

Things to consider: If nothing has changed in your financial circumstances during this time, it might make sense to continue paying down your student loans as you are able. These balances will remain when this temporary relief is over so move forward if you can, especially in light of interest accrual suspensions.