CARES Act frequently asked questions

Coronavirus Aid, Relief, and Economic Security Act

Effective 05-05-20

Qualification

When is the client considered impacted by COVID-19 under the CARES Act?

The client is considered impacted by COVID-19 if:

1) The client, the client's spouse, or the client's dependent has been diagnosed with COVID-19; or
2) The client or the client's spouse have suffered adverse financial consequences, including reduced work hours, layoff, furlough, or quarantine as a result of COVID-19.

Required minimum distributions

Can existing scheduled RMDs be suspended in 2020?

Yes. The client or their financial professional can request to suspend a required minimum distribution (RMD) by letter of instruction, or by phone call over a recorded line. This applies to 2020 distributions, as well as any 2019 distributions previously required to be taken in 2020 that have not yet been taken. Specific reference to COVID-19 is not required. Due to the current COVID-19 environment, we will allow financial professionals to request RMD suspension on behalf of their clients in 2020. This limited accommodation will end in 2020 and financial professional requests to modify or change RMD elections in 2021 and beyond will not be allowed and any RMD suspensions will need to come from the client.

RMDs that are suspended for 2020 will automatically be scheduled to restart in the next tax year with no form or notification required. The client will receive a confirmation letter stating that their RMD was changed.

Can existing scheduled RMDs be completely canceled?

Yes. For mutual fund IRAs and variable annuities, the client, or financial professional with telephone authorization, can request to cancel their RMD by letter of instruction or by phone over a recorded line.

For fixed and fixed index annuities, the client can request to cancel their RMD by letter of instruction or by phone over a recorded line. If an RMD is cancelled, the client will be required to send a new form to restart their RMDs.

Will we allow people to return already received RMDs?

An RMD already received in 2020 can be returned, and will be treated as a rollover contribution. This includes any 2019 RMD that was received in 2020. The rollover contribution generally must be made within 60 days of the date the RMD was taken. However, the IRS did recently issue a notice that extends the 60-day period to July 15, 2020 in cases where the 60-day period expires on or after April 1, 2020. If your 60-day period to make a rollover contribution expired prior to April 1, 2020, it appears this extension of time does not apply.

Only one rollover contribution per year is permitted. The ability to make a rollover contribution of any RMDs received in 2020 only applies to IRA owners and not to any IRA beneficiaries or beneficial owners.

The repayment or a withdrawal will be treated as a rollover contribution. We can accept a rollover contribution back into the original contract (or another existing contract) as an additional premium deposit if flexible premium payments are allowed under the terms of the contract. We may also establish a new contract to accept a rollover contribution as long as in issuing the contract our suitability standards and required minimum premium guidelines are met.

Withdrawals

What are the rules pertaining to a COVID-19 related withdrawal?

If the client is impacted by COVID-19, they can withdraw an aggregate distribution in 2020 of up to $100,000 from retirement plans without incurring the 10% early excise tax penalty. The income tax on this withdrawal may be spread evenly over three years, or the withdrawal may be recontributed to an eligible retirement plan within a three-year period.

Although tax penalties are waived, these withdrawals still follow all applicable product rules including any applicable surrender charges and market value adjustments (MVAs).

How can a COVID-19 related withdrawal be requested?

At this time, the best way to request a withdrawal is for the client to call our customer contact center and have the client advise that he/she would like to take a COVID-19 related withdrawal and defer the associated tax penalty. The client can also submit a withdrawal form and state on this form that the request is a COVID-19 related withdrawal. The financial professional may not request a COVID-19 withdrawal on behalf of the client.

For mutual fund IRAs and variable annuities, financial professionals with telephone authorization may request a telephone withdrawal of up to $25,000.

Continued

The CARES Act allows a withdrawal to be repaid within three years of the withdrawal. How will that work?

The withdrawal will be treated as a rollover contribution. We can accept a rollover contribution back into the original contract (or another existing contract) as an additional premium deposit if flexible premium payments are allowed under the terms of the contract. We may also establish a new contract to accept a rollover contribution as long as in issuing the contract our suitability standards and required minimum premium guidelines are met.

How does a client repay a COVID-related withdrawal from their IRA?

When returning withdrawal funds, please indicate that the funds are a rollover contribution intended to repay a COVID-related withdrawal. If applicable, indicate the Midland National contract number from which the withdrawal was taken. This will help to ensure the contribution is processed accurately for tax reporting purposes.