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RMD Deferrals Aren't Retroactive. We Answer Your Questions About the Cares Act.

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5-6 minutes

Updated April 1, 2020 9:33 am ET / Original April 1, 2020 7:30 am ET

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US President Donald Trump signs the CARES act, a \$2 trillion rescue package to provide economic relief amid the coronavirus outbreak, at the Oval Office of the White House on March 27, 2020.

Photograph by Jim Watson/AFP via Getty Images

The \$2 trillion federal coronavirus-aid package includes a number of provisions to ease the financial burden retirees and savers face after the pandemic tanked U.S. financial markets and shuttered swaths of the economy.

Aside from making it easier for workers to access 401(k) savings, the Cares Act suspends required minimum distributions for this year from company plans like a 401(k) and 403(b) or individual retirement accounts. It's welcome news for account holders who won't have to take distributions or pay hefty taxes at a time when many portfolios are down sharply from near-record highs of Dec. 31, 2019, the date by which RMDs for 2020 are calculated.

Still, with the details still emerging as the crisis intensifies in the U.S., *Barron's* readers had a number of questions. Here are answers to some:

Q: If someone has already taken an RMD for 2020, or takes distributions periodically throughout the year, is there any provision to return the money and forgo the distribution retroactively?

No. "The changes are effective as of January 1, 2020, but there is no reference to any ability to repay to the plan any distributions that have already been paid out," says Brian Pinheiro, practice leader

for the employee benefits and executive compensation group at law firm Ballard Spahr.

However, there may be a workaround. If a participant has already taken his or her 2020 required minimum distribution, this distribution is now eligible to be rolled over to an IRA or an eligible retirement plan—if it can be rolled over within 60 days of the distribution, says David Desmarais, a member of the American Institute of CPAs' Personal Financial Planning Executive Committee.

This workaround option isn't available to a beneficiary who has taken an RMD from an inherited IRA, according to Robbin E. Caruso, partner in the tax department of Prager Metis CPAs. What's more, taxpayers should be aware that they are limited to one 60-day rollover per 12-month period, she says.

Q: Are beneficiary IRAs subject to taking RMDs or can they be deferred?

“Without specifically addressing RMDs from inherited IRAs, the language of the Cares Act suggests that the provisions waiving the requirement to take minimum distributions in 2020 should also apply to inherited IRAs,” says Frederick Schoenbrodt, II, principal at the law firm of Bressler, Amery & Ross.

While he notes that there may be further guidance to clarify this point, for now it seems that beneficiaries of inherited IRAs should be able to skip RMDs this year.

Q: To forgo RMDs in 2020, do you need to advise your custodian or will they automatically not take it?

Whether the beneficiary needs to notify the account custodian that

he or she intends to forgo the distribution will depend on the arrangements set up with the custodian, Schoenbrodt says. If the beneficiary and custodian have agreed on a regular distribution date or schedule, then the beneficiary should notify the custodian he or she doesn't want to take a 2020 distribution.

On the other hand, if the custodian typically waits to issue the distribution until receipt of a request from the beneficiary, then the custodian likely won't make the distribution if they don't hear from the beneficiary.

"Nevertheless, it never hurts to notify the custodian of your intent, regardless of existing arrangements," he says.

Another thing to keep in mind: You can still choose to take distributions if you want. "Moving forward in 2020, wealth managers should confirm with their clients whether or not to make disbursements from an IRA. Even with the suspension in 2020, a client may still need or want a distribution regardless of whether it is a mandatory requirement," says Justin T. Miller, national wealth strategist at BNY Mellon Wealth Management.

Q: Are the new rules concerning the RMD option for all retirees regardless of Covid-19 status or are there deferment requirements I would have to meet?

The changes are effective for everyone. "It does not require any showing of being affected by Covid-19," says Pinheiro of Ballard Spahr.

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