Annuity

NORTH AMERICAN
A Sammons Financial Company

CARES Act frequently asked questions

Coronavirus Aid, Relief, and Economic Security Act

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 distribution 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. The client can request to cancel their RMD by letter of instruction or by phone call over a recorded line. A financial professional may not completely cancel scheduled RMDs; they will only be able to suspend RMDs on behalf of the client in 2020 under the CARES Act. If an RMD is canceled, the client will be required to send a new form to restart RMDs.

Will we allow people to return already received RMDs?

UPDATED: Yes. An RMD already received in 2020 by the owner or the beneficiary of an IRA can be returned. This includes any 2019 RMD that was received in 2020. The amount returned will be treated for an owner as a rollover contribution. In the case of a non-spouse beneficiary the prohibition of the rollover of distributions is waived and the return is treated as an indirect rollover. The return of the RMD must be made no later than August 31, 2020.

The return of an owner's RMD will not count toward the one rollover contribution per year limit. We can accept the return of the RMD to the original contract. In order to correctly process the recontribution, it must be identified as a return of RMD.

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% pre age 59½ excise tax penalty. For 403(b) plans, the mandatory 20% tax withholding is also waived. The income tax on this withdrawal may be spread evenly over 3 years, or the withdrawal may be recontributed to an eligible retirement plan within a 3-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 at 866-322-7069 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.

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

The repayment of 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.

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 North American contract number from which the withdrawal was taken. This will help to ensure the contribution is processed accurately for tax reporting purposes.

403(b) loans

How does the CARES Act impact a 403(b) loan request?

If the client is impacted by COVID-19, the CARES Act increases the loan amount available for qualified individuals to the lesser of:

- $100,000; or
- 100% of vested account balance

Borrowers are not required to begin loan repayment until one year following the date of loan origination. The maximum loan increase remains available until September 23, 2020.

Please contact the 403(b) Plan Administrator to determine loan availability and specific guidelines for the client's plan.

If a client already has a 403(b) loan, can they take another loan under CARES Act?

Please contact the client's Plan Administrator to determine loan availability and specific plan guidelines.

How does the CARES Act impact a loan repayment date?

If the client is impacted by COVID-19, any loan payment due between March 27, 2020 and December 31, 2020 can be delayed for up to one year without default. This includes any loans taken prior to the CARES Act or any loans taken due to the CARES Act. During this delay, loan interest continues to accrue on the outstanding balance at the rate specified in the contract. Loan repayment deferral is optional and at the client's discretion.

Please contact the 403(b) Plan Administrator to determine loan availability and specific guidelines for the client's plan.

Additional Loan Repayment Extensions

In addition to the loan provisions in the CARES Act, a recent IRS notice provided a general extension to loan repayments to July 15, 2020. This extension covers any loan repayments that come due between April 1, 2020 and July 14, 2020. Please contact the client's Plan Administrator for details on how to extend loan repayments based on this guidance.

Does a client need to request a deferral for each payment in 2020?

No. When a client requests a deferral, all other payments through 2020 will be appropriately adjusted as well. Essentially, interest will continue to accrue and after the deferral period, the loan will be re-amortized and payments will resume with the final payoff date adjusted accordingly.

Agent non-qualified deferred compensation plan

Does the CARES Act allow early distributions from North American's agent non-qualified deferred compensation plan?

UPDATED: The CARES Act does not provide relief to North American's agent non-qualified deferred compensation plan. However, most of our plans have a provision for hardship withdrawals due to an unforeseeable emergency. The COVID-19 pandemic might be considered an unforeseeable emergency due to events such as incurred medical expenses. If you have specific questions regarding the hardship withdrawal process due to COVID-19, please contact our Commission Team. Individual circumstances will need to be reviewed to determine if it qualifies as a hardship withdrawal.