



CLIENT NEWSLETTER
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IMPORTANT INFORMATION

Remember that the tax filing deadline for 2019 has been extended to July 15th.

For clients subject to required minimum distributions, that requirement has been suspended for 2020 and the article below discusses how account owners can now undo any distributions that have already been taken this year, assuming you don't need the income and want to save money on taxes. The main article in today's newsletter was emailed to you Tuesday, but given the importance of this notice, we wanted to provide you this information again.

Lastly, we will be sending out our annual client survey next month, so please keep an eye out and we would greatly appreciate taking a few minutes to provide some feedback on our services.

WAIVER OF 2020 REQUIRED MINIMUM DISTRIBUTIONS

In response to the coronavirus global pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020. The CARES Act was enacted to ease the effects of the economic damage caused by the COVID-19 pandemic by providing a wide range of relief efforts to help individuals, businesses, healthcare entities, and state and local governments meet short-term cashflow demands. Among the many provisions provided by the CARES Act was the suspension of Required Minimum Distributions (RMDs) during 2020; however, since the CARES Act wasn't passed until March 27, 2020, many individuals had already taken what they thought, at the time, were their 2020 RMDs!

Not surprisingly, some retirement account owners and beneficiaries wanted to 'undo' those distributions that were not actually needed and put them back into their retirement account. For some retirement account owners, that was possible only by making a 60-day rollover. Unfortunately, for some account owners that 60-day rollover window had already closed after they found out the RMD can be undone. There also appeared to be no way to reverse the RMDs taken from Inherited IRAs because non-spouse beneficiaries are not permitted to make an IRA rollover.

The good news is that on June 23rd, the IRS released "**Guidance on Waiver of 2020 Required Minimum Distributions**" (Notice 2020-51), which ultimately solved all the problems noted above, allowing **anyone** who took a distribution to rollover that amount back into their retirement account up until August 31, 2020.

This notice provides relief by extending the 60-day-rollover window for **all** unwanted 2020 RMD distributions to the **later** August 31, 2020 date or 60 days after receipt of the distribution. In addition, the notice excludes these rollovers from being counted toward the "once-per-year rollover rule."

Finally, while beneficiaries are explicitly prohibited from completing 60-day rollovers under the law, Notice 2020-51 essentially allows beneficiaries to temporarily ignore this portion of the Internal Revenue Code and rollover their 2020 inherited 'RMDs' until as late as August 31st, 2020.

Ultimately, the new guidance just released by the IRS provides a fair and favorable outcome for people who took their RMDs earlier this year, as those individuals should not be penalized for being proactive and complying with the RMD rules early during the year. However, this is an unprecedented and potentially troubling move by the IRS, given that they do not actually have the legal authority to make this change (it is technically the job of Congress to create and amend laws). The IRS's action can arguably be interpreted as circumventing well-defined statutes prescribed by the Tax Code, Tax Court decisions, and its own long-standing guidance via Private Letter Rulings (PLRs). While it's unlikely that anyone will take issue with the IRS' attempt to be fair and equitable, there's little question that they stretched their legal authority when issuing this Notice, which may set a troubling precedent moving forward.

There are always a lot of strategies to think about and we always stress how important it is to plan. Be sure you are sitting down with us on a regular basis to discuss your entire financial situation. Each quarter we want to remind you to alert us to changes in your financial situation or investment objectives to ensure that we are aware of any situation that might require changes in the management of your accounts. Please remember to contact us to discuss how these changes impact your investment accounts!

We wanted to thank those of you who have participated in our Client Introduction program. As you know, marketing for new clients takes a great deal of money, time, and energy and we would much rather spend our resources improving your financial health. We, like most businesses are looking to grow; however, for the benefit of our existing clients we are only able to take on a limited number of new clients each year. Over the years, we have learned that encouraging you to introduce us to people you know works well for all of us...we help you, and you help us. If you aren't familiar with our friends helping friends program, please call our office or be sure to ask us at your next meeting. The few minutes it takes to learn about how it works will be well worth your time and energy!

Also, if you would like some of your friends, coworkers, relatives, business acquaintances, etc. to receive a FREE subscription to this newsletter, please call our office and we'll add them to the mailing list. We'll also send them a note with their first issue telling them that you had suggested they receive the newsletter, and to contact us if they would like to stop at any time. If you enjoy this newsletter, why not share it for FREE with people you know, with no hassle for you?

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