

The CARES Act legislation provides several provisions that can help your employees mitigate a potential financial burden during these difficult times. Here are some ideas to consider.

### 401(K) RETIREMENT PLANS

Coronavirus-related distributions and increased loan limits are optional plan provisions and business owners will need to evaluate the course of action they wish to take. If an employee is experiencing a financial hardship the first action is to stop their 401(k) salary deferrals through your payroll department.

#### Participant eligibility for special distribution and loan provisions are:

- » Personal COVID-19 diagnosis or spouse /dependent diagnosed
- » Suffer heavy financial burden due to quarantine, furlough, laid off, work hours reduced, business closed
- » Unable to work due to lack of childcare

**1. Loans** - Your 401(k) Plan must allow for loans already. If it doesn't the Plan must be amended to allow for participant loans.

- » The CARES Act increases the current limit for loans from \$50,000 to \$100,000 and vested amount from 50% to 100% for qualified individuals and applies to loans taken on or after March 27, 2020 and no later than September 22, 2020
- » Loan repayments due March 27, 2020 through December 31, 2020 may be deferred for affected individuals but payments must resume on January 1, 2021 and interest continues to accrue

**2. In-Service Distributions** - This would be a last resort, and typically not advisable.

- » Limited to \$100,000 per tax year aggregated across all plans of the employer
- » Not subject to 20% mandatory tax withholding upon distribution
- » Exempt from 10% early withdrawal penalty if younger than 59 ½
- » Eligible to be indirectly rolled into IRA or employer plan with 3 years from date of distribution
- » Amounts not indirectly rolled into an IRA or employer plan are included in gross taxable income, proportionately over 3 years

### MORTGAGE & FORECLOSURE RELIEF

Homeowners with federally backed mortgage loans who've been affected by COVID-19, regardless of delinquency status, can get a forbearance. Homeowners with these kinds of loans are also entitled to a foreclosure moratorium that will last at least 60 days, starting March 18, 2020.

Many mortgage lenders are allowing borrowers to suspend their mortgage payments for up to three months. Late fees for those three months are waived and consumer credit agencies won't be notified.

It's important to differentiate between forgiveness and forbearance. To be clear this is **not** loan forgiveness, it is loan forbearance. Borrowers suspending payments are deferring payments to a later date. The individuals seeking forbearance should discuss with their bank how and when the deferred payments will impact the rest of their loan. The loan may need to be modified, or the bank may require all deferred payments be paid on the back-end of the loan's term.

---

**KARP CAPITAL MANAGEMENT** | P: 415.345.8185 | F: 415.869.2832 | E: info@karpcapital.com  
**Mailing Address:** 2269 Chestnut St #308, San Francisco, CA 94123 **Office Address:** 30 Liberty Ship Way #3150, Sausalito, CA 94965

Advisory services offered through Karp Capital Management an SEC registered investment advisor. Securities and brokerage services are offered through Infinity Financial Services (a registered broker-dealer, member FINRA, SIPC). Karp Capital Management and Infinity Financial Services are not affiliated. This communication does not purport to be a complete statement of all material facts related to any company, industry, security or investment strategy mentioned. The opinions expressed reflect our judgment at this time and are subject to change without notice and may or may not be updated. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. The posted information is for informational purposes only. Karp Capital Management does not offer tax advice, please consult with your CPA or tax professional. Recipients who are not market professionals or institutional clients of Karp Capital Management or Infinity Securities should seek the advice of their personal financial advisor before making any investment decisions based on this communication. Additional information on any securities or investment strategies referenced is available upon request.