



Legally Brief: COVID-19 UPDATE

THE CARES ACT: 401K LOAN EXPANSION AND STUDENT LOAN RELIEF

The \$2 trillion CARES Act, the economic stimulus package recently signed into law, contains several important relief provisions for those saving for **retirement, retirees** and for those with **student loans**.

401(k) LOAN EXPANSION

- The CARES Act doubles to \$100,000 the current limit on loans from 401(k) and similar tax-deferred retirement *plans for participants diagnosed with the novel coronavirus or who are affected by related economic losses*.
- Participants with existing 401(k) loans can delay any repayments due in 2020 for one year.

STUDENT LOAN RELIEF

- All loan and interest payments will be deferred through Sept. 30 without penalty to the borrower for all federally owned student loans.
- Work-study funds: It allows schools to turn unused work-study funds into supplemental grants and continue paying work-study wages while schools are suspended.
- The Department of Education will stop collections on student borrowers in default.
- Students who drop out of school as a result of the coronavirus wouldn't have that time away from school deducted from their lifetime limits on subsidized loan and Pell Grant eligibility. Those students would also not be asked to pay back any grants or other aid they've already received.

SOCIAL SECURITY

- Enrollees in Social Security retirement and disability benefits will receive the same one-time \$1,200 stimulus payments that are being sent to most adults, subject to the same income limitations (\$75,000 in adjusted gross income for single filers and \$150,000 for joint filers).
- Lesser amounts will be paid to people with adjusted gross income over those ceilings.
- Recipients of Supplemental Security Income (SSI), a program for people with very low incomes, also will receive the payments.
- The payments will be structured as income tax rebates - like a refund of taxes that you paid, so they will not be taxable.

For more information or with questions, please contact ICADV Legal Counsel Kerry Hyatt Bennett at kbennett@icadvinc.org