

Coronavirus Aid, Relief and Economic Security (CARES) Act Loans

Ideally, your money would stay in your retirement account until you retire. Realistically, there may come a time when you need to access your retirement funds early to pay for extraordinary emergency expenses.

COVID-19

In the wake of the novel coronavirus, COVID-19 pandemic, the president signed into law the Coronavirus Aid, Relief and Economic Security (CARES) Act that allows ‘qualified individuals’ the ability to increase the limit available for loans issued between March 27, 2020, and September 23, 2020. The increased limit of a new loan may be up to 100% of your vested account balance or \$100,000, whichever is less.

Additionally, if you are a ‘qualified individual’, the repayment period of this loan can be extended up to a year.

Loan considerations

Here are some things to consider before taking a loan from your retirement account:

- Your retirement plan account is meant to provide retirement income.
- You may miss out on the growth opportunity of the money you withdraw.
- Your account balance may be irreversibly diminished if you don’t pay the loan back.

Loan requirements

To qualify for the CARES Act loan from your retirement plan, your plan must offer this provision, and you must meet any one of the following criteria:

- Diagnosed with COVID-19
- Have a spouse or dependent(s) diagnosed with COVID-19
- Experience adverse financial impact due to quarantine, furlough, layoff, reduced work hours or inability to work for childcare-related issues due to COVID-19
- Faced with other COVID-19-related factors as determined by the Secretary of the Treasury

You will need to certify that you are a ‘qualified individual’ and eligible for a COVID-19 loan.

Loan repayments

If you are a ‘qualified individual’ based on the criteria above, any loan payments due between March 27, 2020, and December 31, 2020, can be deferred up to one year. Please note the following:

- Interest will continue to accrue and will be added to the loan balance once repayments begin.
- The “term” of the loan is also extended for the period of payment suspension.

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Example: Your original five-year loan was due November 30, 2020. You chose to defer payments for a year under the CARES Act provision. Now, your six-year loan will be due by November 30, 2021. You are responsible to pay the extra year's interest and loan amount by November 30, 2021.

If you are not able to pay back the remaining balance during the specified loan repayment period, or you change employers and are not able to pay it back at that time, the outstanding loan amount will be considered a "distribution" from your account. **You would have to pay taxes and possible penalties on the amount you still owe.**

Loan application steps

Your retirement account is meant for long-term financial goals, rather than short-term objectives. If you are eligible for this loan, please consider exploring all other options to ensure this is appropriate for your situation. If you decide to take a loan, you will need to complete the following steps:

- Log in to www.oaretirement.com and navigate to the Forms page.
- Download the COVID-19 Loan Application form
- Fill out the form and follow the cover letter and form instructions.
- Your loan will be processed, and a check will be sent to the address on file.

Note: Products issued and underwritten by American United Life Insurance Company® (AUL), a OneAmerica company. Administrative and recordkeeping services provided by McCready and Keene, Inc. or OneAmerica Retirement Services LLC, companies of OneAmerica which are not broker/dealers or investment advisors. Provided content is for overview and informational purposes only and is not intended and should not be relied upon as individualized tax, legal, fiduciary or investment advice. These concepts were derived under current laws and regulations. Changes in the law or regulations may affect the information provided. For answers to specific questions, please consult a qualified tax advisor, attorney, or financial professional.

Fees, limits, terms, and requirements for loans vary from plan to plan. Plan participants should carefully consider the risks, tax implications, and retirement investing consequences before taking a loan from an employer-sponsored retirement plan. Contact the plan sponsor (employer) with any questions.

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