



# SECURE ACT 2.0

## FEDERAL DISASTER DISTRIBUTIONS AND LOANS

SECURE Act 2.0 allows retirement plan sponsors to adopt permanent federal disaster withdrawal and loan procedures for their plan. The provisions are optional and may be offered in conjunction with other plan hardship distributions and loans. This document explains various options for withdrawals and loans.

	Qualified Federally Declared Disaster Distribution	Hardship Withdrawal	Loan for Federally Declared Disaster	Plan Loan
	Section 331, applies to disasters occurring on or after January 26, 2021	May be offered to eligible participants as described in the plan document	Section 331, applies to disasters occurring on or after January 26, 2021	One or more loans may be offered to eligible participants as described in the plan document
Who Can Use it?	All eligible participants with principal residence in a declared disaster area, with economic loss due to the disaster; must take the distribution within 180 days of the applicable date; disaster declared under The Stafford Act (1988); FEMA identifies incident period	All eligible participants with an immediate and heavy financial need	All eligible participants with principal residence in declared disaster area, with economic loss due to the disaster; must take the distribution within 180 days of the applicable date; disaster declared under The Stafford Act (1988); FEMA identifies incident period	All eligible participants
Maximum Amount Available	Up to \$22,000 per event	Limited to the amount necessary to satisfy the immediate and heavy financial need	Up to 100% of vested account balance, or a maximum of \$100,000 (subject to plan limits)	Up to 50% of vested account balance, or a maximum of \$50,000 (subject to plan limits)
Distribution Frequency	Per qualifying disaster event	Per qualifying hardship event	Ability for multiple loans is subject to plan rules; total of all loans cannot exceed the plan maximum	Ability for multiple loans is subject to plan rules; total of all loans cannot exceed the plan maximum
Tax Implications	Taxable in distribution year but income can be spread over a three-year period	Taxable in the year of distribution	None unless not repaid according to loan terms	None unless not repaid according to loan terms
10% Early Withdrawal Penalty?	No	Yes	N/A	N/A
Can It Be Repaid to the Plan?	Yes	No	Typically required to repay within five years; loan payments due within 180 days of the incident period may be delayed by up to one year; if employee departs, full amount may be due in 60-90 days or it's taxable	Typically required to be repaid within five years; if employee departs, full amount may be due in 60-90 days or it's taxable