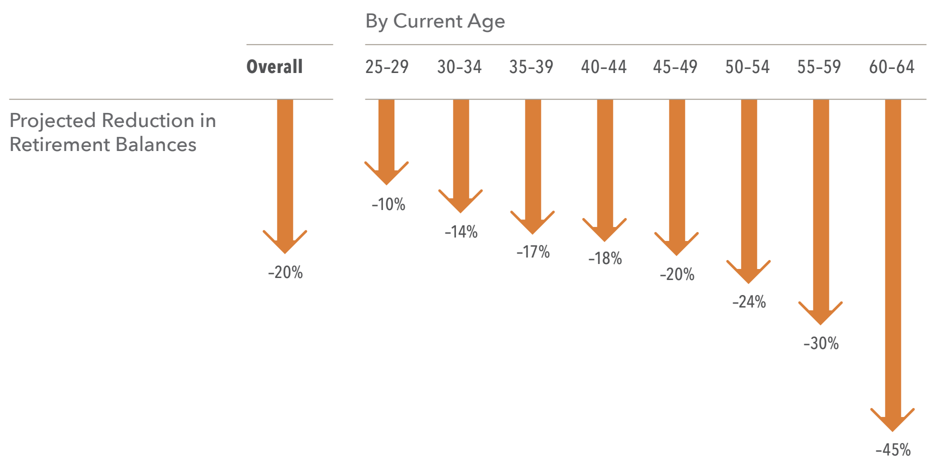
How Might Taking Coronavirus-Related Distributions Impact Retirement Benefits?[1]

The Coronavirus Aid, Relief, and Economic Security (CARES) Act allows greater access to defined contribution plan balances.[2] EBRI considers the impact on the future retirement security of American workers.

IMPACT OF WITHDRAWALS WITH NO PAYBACK

If all workers take a coronavirus-related distribution and fail to repay it, the overall reduction in retirement balances is projected to be 20 percent. The lowest age groups are least impacted – in part because their current account balances are too small for them to take the full $100,000 distribution.

Median Reduction in Retirement Balances as a Multiple of Pay at Age 65
Employees Taking Full Withdrawal (up to $100,000) in 2020 With No Payback



CONDITIONAL VS. AGGREGATE

Even in the case where employers offer the CARES Act provisions, employees are eligible to take the loans or distributions, and employees do so up to the maximum, the impact of the provisions is mostly modest – unless employees fail to repay their withdrawal or continue to take CARES-Act-type withdrawals with no payback over time. Because many employers have not implemented the CARES Act provisions and few employees actually take advantage of them, the aggregate impact is likely to be small in every scenario.

Comparison of Median Reduction in Retirement Balances
Conditional vs. Aggregate Impact[3]

Scenarios	Conditional Impact • Employers offer the provision • Employees are eligible for it • Employees take maximum advantage	Aggregate Impact The aggregate impact is based on assumptions from a PSCA survey of 137 organizations' actual CARES Act provision implementation.
Employees taking full withdrawal up to $100,000, no payback	-20.0%	-0.43%
Employees taking full withdrawal up to $100,000, with three-year payback	-2.3%	-0.05%
Employees taking new loans up to $100,000 in 2020 with dollar-for-dollar employee contribution offset against new loan payments	-5.9%	-0.03%
Employees taking full withdrawal up to $100,000, every 10 years, no payback	-54.0%	-1.16%

1. Using EBRI's Retirement Security Projection Model® (RSPM), we simulate the impact on retirement balances as a multiple of pay at age 65 for scenarios where employees take full advantage of the CARES Act flexibility to access their defined contribution plan.
2. The CARES Act allows for increased loan limits, suspended loan payments, and coronavirus-related distributions with repayment over a three-year period.
3. The aggregate impact uses assumptions based on a snapshot PSCA survey of plan sponsors conducted in early June 2020 that asked what changes they made regarding the CARES Act and the COVID-19 pandemic.
SOURCE: Jack VanDerhei, "CARES Act: Implications for Retirement Security of American Workers," *EBRI Issue Brief*, no. 509 (Employee Benefit Research Institute, July 30, 2020).