
# ED SLOTT'S IRA ADVISOR

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Tax & Estate Planning for Your Retirement Savings


## WHAT'S INSIDE?



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# Combining NUA With a CRD

If the stars align in 2020, some individuals may be able to take advantage of two tax benefits with a single transaction. By leveraging both a coronavirus-related distribution (CRD) and net unrealized appreciation (NUA), a fortunate few will be able to have their cake and eat it too. Ultimately, the goal is to minimize the overall taxes due on a plan distribution while spreading up to $100,000 of those taxes over a three-year period. Yes, the qualifications for this strategy may indicate a person is facing some greater challenges, but an NUA/CRD combination may help alleviate some financial concerns.

### Three Questions to Determine Eligibility

To take advantage of both a CRD and NUA, one must answer "yes" to each of the following questions:

*1. Do you qualify for a CRD?* The CARES Act allows up to $100,000 to be withdrawn from a retirement plan or IRA in 2020 while avoiding the 10% early distribution penalty. Taxation from these CRDs can be spread evenly over a three-year period, beginning in 2020.

However, only affected persons may take a CRD. Though the definition casts a wide net, not all meet the guidelines. "Affected individuals" are those or their spouse or dependents who are diagnosed. Also included are those who experience adverse financial consequences as a result of either the individual, the individual's spouse or a member of the individual's household being quarantined; being furloughed or laid off or having work hours reduced due to the virus; being unable to work due to lack of childcare because of the virus; closing or reducing hours of a business owned or operated by the individual, the spouse or member of the household due to the virus; having a reduction in pay (or self-employment income) due to the virus; or having a job offer rescinded or start date for a job delayed due to the virus. ("Member of the individual's household" includes those who share the individual's principal residence, such as a friend, partner, child, other relative or roommate.)

*2. Do you have highly appreciated company stock in your work plan?* The mechanics of the NUA tax break on company stock are relatively simple. Plan participants can withdraw their company stock and pay regular (ordinary) income tax, but only on the original cost basis when the stock was acquired within the plan — *not on the market value on the date of the distribution.* The difference (the appreciation) is the NUA.

Then, the plan participant can defer the tax on the NUA until the stock is sold. Upon liquidation, long term