

Frequently Asked Questions about the CARES Act

We understand that during this time you may face financial challenges. Your employer's 401(k) plan may provide options to access needed funds today, and the Coronavirus Aid, Relief, and Economic Security (CARES) Act may provide additional options. These Frequently Asked Questions provide an overview of the CARES Act.

Please keep in mind, the CARES Act distribution and loan provisions are optional for a plan. Employers may choose to adopt a modified version of these rules.

- If you are not able to take advantage of the added provisions in the CARES Act, your employer's 401(k) plan may have other withdrawal and loan options available to you now. Please consider the advantages and disadvantages of taking a loan or withdrawal before initiating one.
- It is always important to review your overall financial situation and long-term goals when considering taking a loan or withdrawal from your 401(k) account or IRA.



For account access, remember — Benefits OnLine at benefits.ml.com or the Benefits OnLine mobile app are available to you virtually 24/7.

Overview

Q. What is the CARES Act?

A. The CARES Act was enacted on March 27, 2020, and includes provisions for certain retirement plans that:

- Permit an additional withdrawal of up to \$100,000 for Coronavirus-Related Distributions (CRDs)
- Increase the available loan amount to the lesser of a participant's vested account balance or \$100,000 and provide relief from loan repayments

- Waive Required Minimum Distributions (RMDs) for the 2020 calendar year (including RMDs for individuals whose first RMD was due by April 1, 2020, and it was not taken prior to January 1, 2020)

There are specific eligibility requirements associated with the enhanced withdrawal and loan provisions (see below). In addition, the special withdrawal and loan provisions are optional, and your employer's 401(k) plan would have to be amended to adopt the provisions in order for these provisions to be available to you.

General Information

Q. What are the eligibility requirements for CRDs and loan provisions under the CARES Act?

A. To be eligible for a CRD or the CARES Act loan provision, you must be an individual:

- Who is diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention, or
- Whose spouse or dependent (as defined in the Internal Revenue Code) is diagnosed with such virus or disease, or
- Who experiences adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced due to such virus or disease, being unable to work due to lack of child care due to such virus or disease, or closing or reducing hours of a business owned or operated by the individual due to such virus or disease, or other factors as determined by the Secretary of the Treasury.

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Q. What documentation is required to prove that I am eligible for a CRD or the CARES Act loan provision?

A. You will be asked to self-certify that you satisfy the conditions for eligibility as noted above.

Q. Can I have any withdrawals or loan disbursements deposited directly to my bank account?

A. Yes. Go to Benefits OnLine to establish your banking information. From benefits.ml.com go to Profile & Settings > Manage Linked Accounts and follow the instructions. Note that the mobile app does not currently allow you to establish banking information.

Q. Are there any fees associated with taking a CRD or CARES Act loan?

A. With respect to fees:

- There is no fee for a CRD request.
- Initiation fees for CARES Act eligible loans will be waived from eligibility to September 23, 2020 (180 days from date of enactment).
- If you request overnight delivery of a check, the overnight delivery fee will be charged to your account.

Q. Can I continue making contributions to my 401(k) if I take a CRD or CARES Act loan?

A. Yes, you can continue to contribute to your plan.

Withdrawals

Q. What if I want to take a CRD from my employer-sponsored retirement plan or IRA?

A. If your employer-sponsored retirement plan* adopts the CRD provisions and you are eligible for a CRD, or if you are choosing to take a CRD from an IRA:

- You can withdraw your vested account balance to a maximum of \$100,000.
- CRDs will be available up until December 31, 2020.
- The standard 10% additional federal income tax on distributions prior to age 59½ would be waived as would the 20% mandatory federal income tax withholding.

- You will have three years to pay the federal income tax owed on your CRD in equal amounts, or in full in 2020. Note that state and local income taxes may not be subject to this delayed payment. Consult your tax advisor for more information on your personal circumstances.
- Further, you will have the option to repay/rollover the withdrawal (see below) within three years.

NOTE: If you are looking to take a CRD under the CARES Act and your employer's plan allows this relief, CRDs are available on Benefits OnLine at benefits.ml.com or via the mobile app and will be processed daily. If you do not qualify for a CRD, refer to your employer's plan for other options, which may include a hardship withdrawal.

Q. What if I want to repay my CRD? Can I do that?

A. Yes, if your employer's plan otherwise permits rollovers. You may also have other options, such as making the repayment to a Rollover IRA. You will be able to repay all or some of your withdrawal within three years and the repayments will not count toward the annual contribution limits set by the tax laws for your employer-sponsored retirement plan account or IRA. The payments will be treated as rollover contributions into your employer-sponsored retirement plan account or IRA.

NOTE: Withdrawals taken that do not qualify under the CARES Act as CRDs cannot be repaid and taxes will be due for the year of the withdrawal.

Q. What if I took a distribution before March 27, 2020, that would otherwise be eligible for CRD treatment? Do I still have to pay the 10% additional federal tax?

A. Distributions taken from January 1, 2020, to December 31, 2020, which satisfy the eligibility requirements are entitled to the CRD special tax relief. However, the particular rules on the process for re-characterizing distributions taken prior to March 27, 2020, have not been announced at this time. Further guidance from the IRS is expected to address this topic.

Q. Can I choose to opt-in to federal income tax withholding on my CRD?

A. While income tax withholding is not required for a CRD, you can elect to have a portion of your CRD withheld. You will remain subject to income tax on the full amount of the distribution regardless of whether you chose withholding.

* For money purchase plans, you must otherwise have reached an age at which in-service withdrawals are available.

Q. If I have only Roth 401(k) with after-tax contributions and take a CRD, will I still be subject to the federal income tax?

A. Any after-tax, including Roth after-tax amounts that meet the 5-year rule, are not subject to the federal income tax.

Q. If I have Roth 401(k) and traditional 401(k), which source of funds will my CRD come from?

A. Your plan determines the order of assets available for distribution. Check with your plan.

Q. What if I have an IRA or balance in another employer plan? Can I take a withdrawal from that plan?

A. The \$100,000 limit is an aggregate limit and applies across all tax-deferred retirement plans in which you have an interest — IRA, 401(k), 403(b) or governmental 457(b) plans.

Required Minimum Distributions

Q. Do I still have to take my RMD this year?

A. Under the CARES Act, all 2020 RMDs have been waived. There are no coronavirus eligibility requirements with this change.

- First time RMDs relating to the 2019 tax year that were required to be made by April 1, 2020, but which have not yet been distributed are also waived.
- Distributions received as RMDs are considered regular distributions and are therefore rollover eligible. However, the rollover must be completed consistent with applicable regulatory requirements, including the generally applicable 60 day rollover window.
- Should you wish to receive the amount that would have been your RMD (or another amount), you can request a withdrawal.

Loans

Q. What are the 401(k) loan provisions in the CARES Act?

A. There are two optional 401(k) loan provisions in the CARES Act that may be available in your plan:

- The loan limit for coronavirus-related loans is the lesser of \$100,000 or 100% of your eligible vested balance (minus any outstanding loans), and loan requests must be received within 180 days of March 27, 2020.
- Deferment of repayments. For new and existing loans, repayments due from March 27, 2020, to December 31, 2020, may be delayed for up to one year.

Q. Who is eligible for a CARES Act loan or loan payment suspension?

A. CARES Act loan and/or loan payment suspension eligibility requirements are outlined earlier in this FAQ.

Q. How much can I borrow from my 401(k) account under the CARES Act?

A. Keep in mind, if your employer's plan offers general loans today, you can borrow up to 50% of your vested account balance not to exceed \$50,000. If you should need to borrow more than this and your employer adopts the CARES Act loan increase provision, you may be eligible to borrow up to 100% of your vested account balance not to exceed \$100,000. To take advantage of the higher loan limits, the loan must be made within 180 days of March 27, 2020, when the CARES Act was enacted.

NOTE: General loan requests under the normal provisions of your plan can be requested through Benefits OnLine at benefits.ml.com or via the mobile app. If your employer's plan adopts the CARES Act loan increase provision, loan requests for the higher amount are also available through Benefits OnLine at benefits.ml.com or via the mobile app and will be processed daily.

Q. My plan is not offering either the CARES Act loan or loan payment suspension. Can they do that?

A. Yes. The loan provisions are separate and optional. A plan could choose to suspend loan repayments and due dates in 2020 by a year, but not offer the CARES Act related loan with the higher percentage of vested assets and larger loan amount and vice-versa.

Q. Can my employer choose loan limits that are less than \$100,000 or 100% of the participant's vested balance?

A. No, their adoption must conform to the CARES Act loan provision of \$100,000 or 100% of the eligible participant's vested balance. Remember, you are not required to take out the full \$100,000 or 100%; you can choose the loan amount you feel you need and for which you can afford the repayments.

Q. What if I have an outstanding loan and want to take another loan under the CARES Act eligibility requirements?

A. You will be limited to the number of loans your employer's plan permits. For example, if your employer's plan permits one loan, you will need to repay your outstanding loan before taking a new one. In this case, you may want to consider the CRD option.

NOTE: General loans available to you today and outstanding loan payoff amounts can be requested online at benefits.ml.com or through the mobile app.

Q. How do I request a loan or have my loan payments suspended under the CARES Act?

A. CARES Act loan deferments and loan requests are available on Benefits OnLine at benefits.ml.com or via the mobile app. Transactions will be processed daily. If you need to, you can call your plan's toll-free line. Note that CARES Act loan requests by phone require manual processing with an expected turnaround of 10 business days.

Q: How long will it be from when I make the loan repayment deferral election to when my loan repayments are stopped and no longer taken from my paycheck?

A: Merrill will provide information regarding participants who request loan deferrals to your plan sponsor on a weekly basis. The modification to your paycheck will depend on your company's payroll provider and/or payroll cycle.

Q: Does the interest accrue and will by my loan be re-amortized?

A: Yes, interest will accrue and your loan will automatically be re-amortized.

Q. What if I want to stop my loan repayments for just a few months and not a full 12 months. Can I do that?

A. Yes, you can choose to restart your loan payments at any time. You will need to work with your employer to resume payments.

Q. What if I don't meet the CARES Act eligibility requirements but still want to take a loan?

A. If you do not meet the CARES Act requirements and your employer's plan permits loans, you can still take a general loan under the current rules of 50% of your vested account balance (minus any outstanding loans) not to exceed \$50,000, subject to any loan limits that apply to your employer's plan. You will need to repay the loan under the loan terms associated with that loan.

NOTE: General loans available to you today can be requested online at benefits.ml.com or through the mobile app.

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