

13 Federal Stimulus Actions That May Help You, Your Family & Your Business



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Michael Howell's use

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How Did We Get Here?

- ▶ A highly infectious virus is spreading around the world
- ▶ Governments have ordered protective lockdowns and curtailed movement
- ▶ Societies have retreated indoors
- ▶ The global health crisis has created global financial crisis
- ▶ Nations and states are struggling with the “new normal”

Pandemic Triggers Global Economic Slowdown



Impacts include:

- ▶ Half of all workers worldwide face job loss
- ▶ Travel restrictions in over 100 countries
- ▶ Global supply chains disrupted
- ▶ GDP forecasts down
- ▶ Stock markets volatility
- ▶ Oil price collapse
- ▶ Historic recessions predicted for advanced economies

Pandemic Triggers US Economic Shutdown

US economic impact includes:

- ▶ Severe shrinking of economy
- ▶ Record jobless claims
- ▶ Less than 1/3rd can work from home
- ▶ Pending home & mortgage sales drop
- ▶ Services and manufacturing drops
- ▶ Retail sales crashed
- ▶ State and local tax revenue off
- ▶ Market volatility continues
- ▶ Recession expected



“It is very likely that this year the global economy will experience its worst recession since the Great Depression.”

-Gita Gopinath, Chief Economist, IMF

What to Do?

Governments are responding with stimulus spending programs to support workers, families, and businesses



4 Major Stimulus Moves So Far to Aid Americans Impacted by the COVID-19

Congress has authorized more than \$2.7 trillion:

- ▶ Families First Coronavirus Relief Act, March 18, 2020
- ▶ IRS Tax Relief Notice 2020-18, March 20, 2020
- ▶ Coronavirus Aid, Relief, and Economic Security (CARES) Act, March 27, 2020
- ▶ CARES-2 Act, April 23, 2020

Challenge

- ▶ How to steer ourselves, our families, and our businesses through this unprecedented health and economic crisis?

Key Step Now

- ▶ Learn about federal stimulus actions so we can try to maximize our personal and business finances and plan for how best to weather this unprecedented storm.



#1: Free Coronavirus Testing

Don't Worry About the Cost When You're Getting Tested For Coronavirus

- ▶ FFCRA provides free coronavirus testing to all Americans via government programs or insurance
 - ▶ All copayments are waived
- ▶ 6.2% increase in Medicaid payments to states on a temporary basis



#2: Food Aid Expanded

Putting Meals on the Table Without Fear

- ▶ The FFRCA allocates \$1 billion to provide food to individuals without food security
 - ▶ \$500 million will fund WIC (Special Supplemental Nutrition Program for Women, Infants, and Children)
 - ▶ \$400 million allocated to emergency food assistance programs (available through September 30, 2021)
- ▶ Food bank crisis: millions flooding system never intended for a nationwide crisis. Help if you can!



#3: Paid Sick and Family Leave

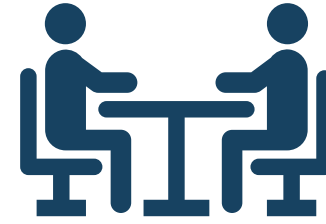
What Paid Leave Benefits are Newly Available To You If Impacted?

- ▶ 2 Weeks paid sick leave at full regular rate
- ▶ 2 Weeks paid sick leave at two thirds regular rate
- ▶ Up to 10 weeks additional family/medical leave at two thirds regular rate
- ▶ Eligible employers are entitled to refundable tax credits for qualified sick and family leave wages

Do You Benefit from Expanded Employee Paid Leave?

- ▶ These expanded provisions apply to most public and private employers with fewer than 500 employees
- ▶ Businesses with less than 50 employees may be exempt
- ▶ Any employee of a covered employer is eligible for 2 weeks paid sick leave
- ▶ Certain self-employed individuals may also take advantage of the extended leave and tax credits

Financial Planning Opportunities



- ▶ Review your eligibility to receive paid sick and family leave
- ▶ Are you a business owner? Review how these benefits will affect your workers and your obligations
- ▶ Are you self-employed? You may be newly eligible for 2 refundable credits associated with sick and family leave.



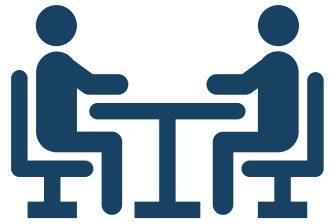
#4: Unemployment Benefits

Expanded Unemployment Benefits

- ▶ An additional 13 weeks of unemployment benefits
- ▶ Unemployment checks will be increased by \$600 per week for four months through July
- ▶ Creation of temporary unemployment benefits for those not normally covered, which is called...

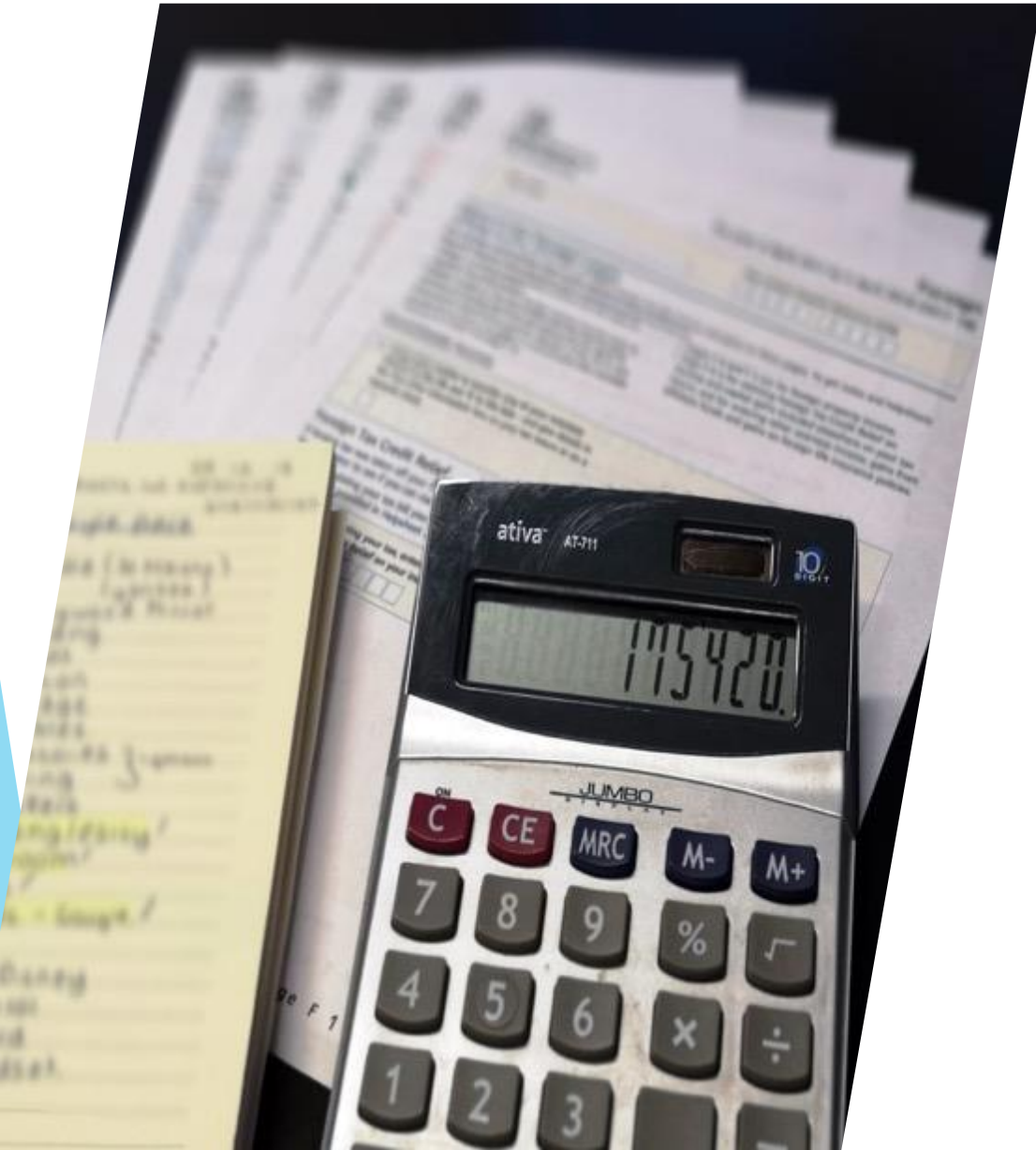
Pandemic Unemployment Assistance Program

- ▶ Creation of a temporary Pandemic Unemployment Assistance program for those who do not typically qualify for unemployment such as self-employed individuals and independent contractors
 - ▶ Up to 39 weeks of unemployment benefits under the Act
- ▶ **NOTE: If you can do your job remotely, you will not qualify for unemployment**



Financial Planning Opportunities

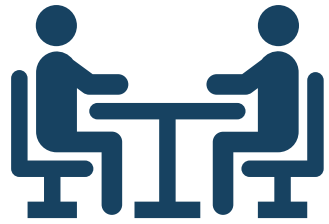
- ▶ Apply for unemployment benefits as soon as possible
- ▶ Self-employed should apply for unemployment benefits because you may qualify!
- ▶ Review your eligibility for unemployment under the new rules
- ▶ Review your household budget and financial plan considering income reduction. Where can you cut costs?



#5: Filing and Paying Taxes

Tax Relief: Extended Filing and Payment Deadline Moves to July 15 from April 15

- ▶ Applies to all tax paying entities who had a tax return or payment due on **April 15, 2020**
- ▶ Includes 2019 tax returns and Q1 and Q2 estimated income tax payments for 2020
- ▶ No limit to the amount of taxes owed that can be postponed
- ▶ IRA and HSA deadlines also extended until July 15
- ▶ Calculations of interest or penalties as a result of failing to file will not start until July 16



Financial Planning Opportunities

- ▶ Speak to your tax preparer regarding how the extension applies to you
- ▶ Confirm whether your state is following the federal and offering similar relief
- ▶ Revisit amounts for 2020 quarterly estimated payments. Does reduced income in 2020 reduce these estimations?
- ▶ Consider the new deadlines when planning contributions to retirement accounts (including IRAs and 401(k)s) and HSAs



#6: Stimulus Checks for Individuals, Couples, Children

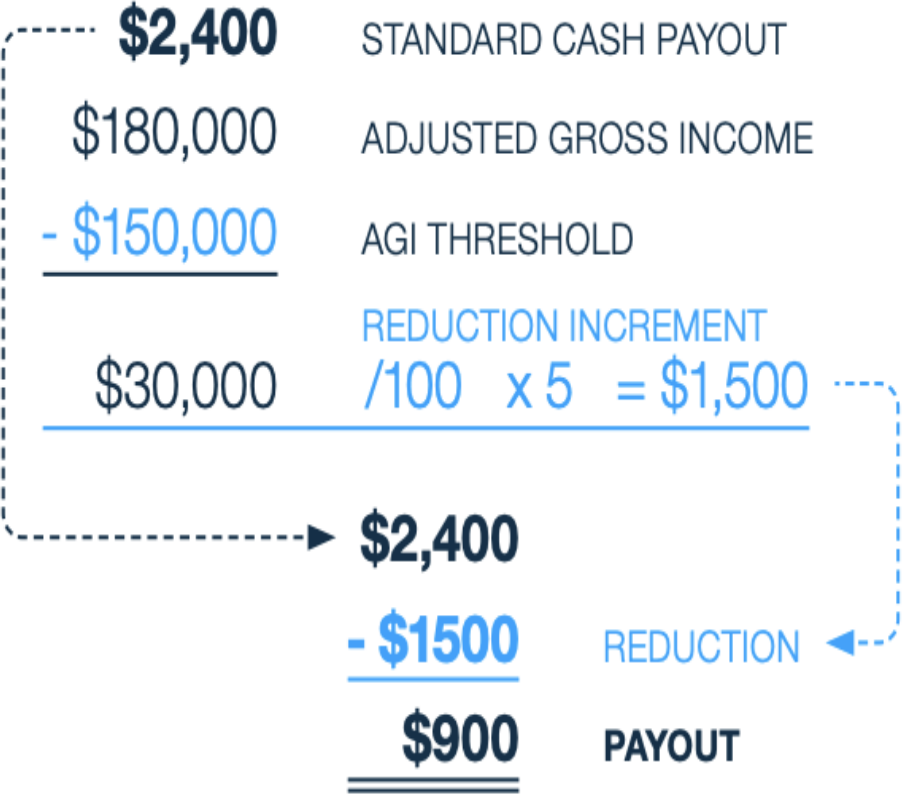
How Can I Get a Cash Payment?

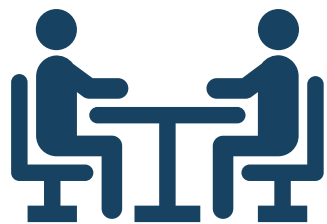
- ▶ The CARES Act provides a maximum of \$1,200 to individuals and \$2,400 to married couples with an additional \$500 for every child under the age of 17
 - ▶ There are income limits for the payments. To receive the full amount an individual must earn \$75,000 or less and a married couple must earn \$150,000 or less

Not Every Adult Will Get \$1,200

Example

A married couple making \$180,000 a year in adjusted gross income would receive a total of \$900 instead of \$2,400.





Financial Planning Opportunities

- ▶ Confirm that you are eligible for the stimulus check. If not, what actions can you take?
- ▶ Evaluate your cash flow and expenses. What is a good use of the money?
- ▶ Do you need the stimulus check? Consider putting it towards a charitable donation



#7: Mortgage, Rent, Foreclosure, and Eviction Relief

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There Are Many Options For Debt Relief

- ▶ Many credit card companies are offering forgiveness and many mortgage companies are foregoing interest
- ▶ The FHA imposed a **60-day foreclosure** and eviction moratorium for single family homeowners with FHA insured mortgages
- ▶ Many states have extended that moratorium. Check the current law in place for your place of residence.

Mortgage “payment holidays” for federally held loans

- ▶ Holiday allows borrower to defer mortgage payments for up to one year
 - ▶ No “missed” or “late” penalties
 - ▶ No suspension of interest
 - ▶ Missed payments will be incorporated into loan
- ▶ **DO NOT STOP PAYMENTS UNTIL YOU REACH AN AGREEMENT WITH YOUR LENDER AND CONSIDERED THE CONSEQUENCES**

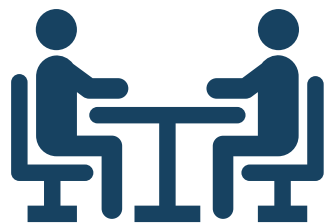
Possible Negative Consequences of Loan Forbearance

- ▶ Your suspended loan payments are not disappearing and may come back bigger than before
 - ▶ Accrued interest will increase loan payments
 - ▶ Possible lump sum payment
 - ▶ Possible requirement to repay over specified period once payments are reinstated
 - ▶ Payments added to the end of your term
 - ▶ Missed payments added to outstanding debt amount
- ▶ Talk to your lender about reducing payments instead of fully suspending them
- ▶ **Be careful that relief now doesn't create a worse burden in the future.**

How Will Renters Find Relief?

- ▶ Landlords with federally backed mortgage loans will have to suspend evictions if they want to receive mortgage forbearance
- ▶ A majority of states have taken additional actions to help renters through eviction moratoriums

CONTACT YOUR LANDLORD IF YOU THINK YOU MAY NOT BE ABLE TO MAKE PAYMENTS AND KNOW YOUR RIGHTS!



Financial Planning Opportunities

- ▶ Check to see if you are eligible for an eviction moratorium either under federal relief programs or state level programs
- ▶ Do you have a federally held mortgage? Check to see what your options for mortgage forbearance are
- ▶ Review any mortgage forbearance agreement carefully with a financial advisor to avoid unmanageable burdens in the future
- ▶ Are you a renter? Speak with your landlord about how they are assisting tenants who are having difficulty making rent payments
- ▶ Check to see if your state is providing relief to renters.
- ▶ Consider refinancing loans at lower current interest rates



#8: Student Loan Payment

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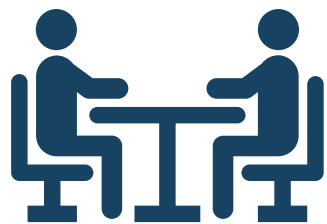
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Student Loan Required Payments Suspended Through Sept. 30, 2020

- ▶ Suspends required payments on Federal student loans (Direct Loans and FFEL Loans)
- ▶ During this time, no interest will accrue on this debt.
- ▶ This period of time will continue to count towards ANY loan forgiveness programs. (such as the Public Service Loan Forgiveness program or income-driven payment programs)
- ▶ These loan benefits don't cover two types of federal student loans – older FFEL loans held by commercial lenders and campus-based Perkins loans, or any private loans.

Important Notes on Student Loans

- ▶ Know your options when seeking debt relief
- ▶ Be in contact with your loan servicer
- ▶ The Act also excludes up to \$5,250 from income from any employer payment made to an employee before January 1, 2021 for purposes of student debt payments.
- ▶ Call your debt holder and give them advanced notice that you won't be able to make your payment. This may help you negotiate a better deal and/or may not hurt your credit rating as much.
- ▶ Student loan forgiveness is available (1-800-4-FED AID)



Financial Planning Opportunities

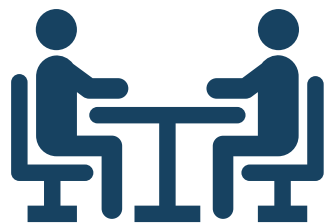
- ▶ Check to see if payments on your student loans will be automatically suspended
- ▶ Consider your budget both with and without payments. Can you take advantage of this interest free period to make payments?
- ▶ If you want to continue to make payments during this period, contact your lender to opt out of the payment suspension program
- ▶ Determine if your employer is contributing up to \$5,250 tax-free towards your student loan balance



#9: New Charitable Giving Incentives

Giving Money To Charity Can Help You

- ▶ \$300 above-the-line deduction of cash contributions to churches and other charitable organizations for 2020 (**can't be claimed if you itemize**)
- ▶ No adjusted gross income limit on charitable contributions in 2020 (50% AGI limitation to 100%) when the contribution is made directly to the charitable organization (and not a Donor Advised Fund)
- ▶ Corporation's charitable contributions limit was raised from 10% to 25%
- ▶ This provision is meant to encourage people to continue charitable donations to non-profits in this time of need



Financial Planning Opportunities

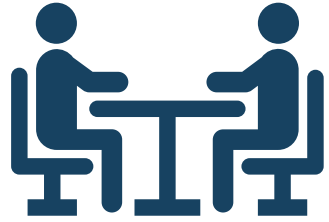
- ▶ Do you take the standard deduction when filing taxes? In 2020 you have an opportunity for a \$300 above-the-line deduction for charitable donations
- ▶ Do you want to donate above 50% of AGI? In 2020 filers can deduct up to 100% of their AGI in charitable donations when they itemize
- ▶ Are you getting a stimulus check that you don't need? Consider donating it to a charitable organization and taking the deduction instead



#10: IRA RMD Holiday


CARES Act Allows You to Skip Your RMD in 2020

- ▶ **20% of people do not need their RMDs to live off. This may be you!**
- ▶ Why would you want to draw RMDs calculated on December 2019 values from accounts that are down up to 30%?
- ▶ This applies to inherited and beneficiary IRAs



Financial Planning Opportunities

- ▶ Consider suspending all RMDs in 2020
- ▶ Do you have a beneficiary IRA? Consider suspending your RMD on your beneficiary IRA as well
- ▶ Did you take an RMD you didn't have to earlier this year? Check to see if you are eligible to rollover the amount back into your retirement account
- ▶ Is now a good time to do partial or full Roth conversions on large Traditional IRA balances? Ask a financial advisor
- ▶ If you decide to take RMDs anyway, consider waiting for later in the year when the market is recovering

A photograph of a person in a dark suit and a blue and white striped tie, holding a hammer with an orange handle over a pink piggy bank. The piggy bank is being held by a hand, and the hammer is positioned as if about to strike it. The background is dark, and the overall scene suggests a financial penalty or a warning.

#11: Penalty-Free Withdrawal from IRAs and Retirement Plans

Penalty Relief for Retirement Plan and IRA “Coronavirus-related Distributions”

The Cares Act...

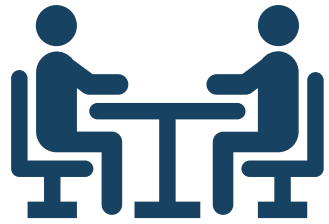
- ▶ Provides an exception to the 10% early distribution penalty
- ▶ Exempts the distribution from the mandatory 20% withholding applicable to eligible rollover distributions
- ▶ Distributions will be included in gross income over three years, taxes will be spread over a three-year period (or you can opt to include the income in 2020)

Paying Back the Penalty-Free Withdrawal and Taxation

- ▶ Allows for the recontribution of the distribution to a plan or IRA within three years (**and taxes already paid can get refunded**)
- ▶ After distributions are re-contributed within three years of withdrawal you can file an amended return to obtain a refund of any taxes paid
- ▶ In effect, there are no limits on what you can use the funds for. You can pay bills or pay down loans provided you repay the money within 3 years.

Existing Qualified Plan Loan Provisions are Also Liberalized

- ▶ Through December 31, 2020, consider taking a loan from a qualified plan up to the lesser of \$100,000 or 100% of the vested account balance (they doubled the allowable amount, used to be lesser of \$50,000 or 50%)
 - ▶ The due date for any repayment of the loan is delayed an additional year (normally five years) if the due date occurs between the date the Act was enacted (March 27) and December 31, 2020.



Financial Planning Opportunities

- ▶ Consider withdrawing money from your retirement accounts to pay expenses now that the 10% early withdrawal penalty is suspended (you will still be paying taxes on withdrawals)
- ▶ Consider if you want to spread the tax over 3 years or if it is beneficial to pay it in 2020
- ▶ Review your financial plan to see how much you might be able to withdraw without putting your retirement in jeopardy
- ▶ Do you need to consider taking out a loan to meet expenses?
- ▶ Do you have loan payments to a retirement account? You can delay such payments for up to a year?



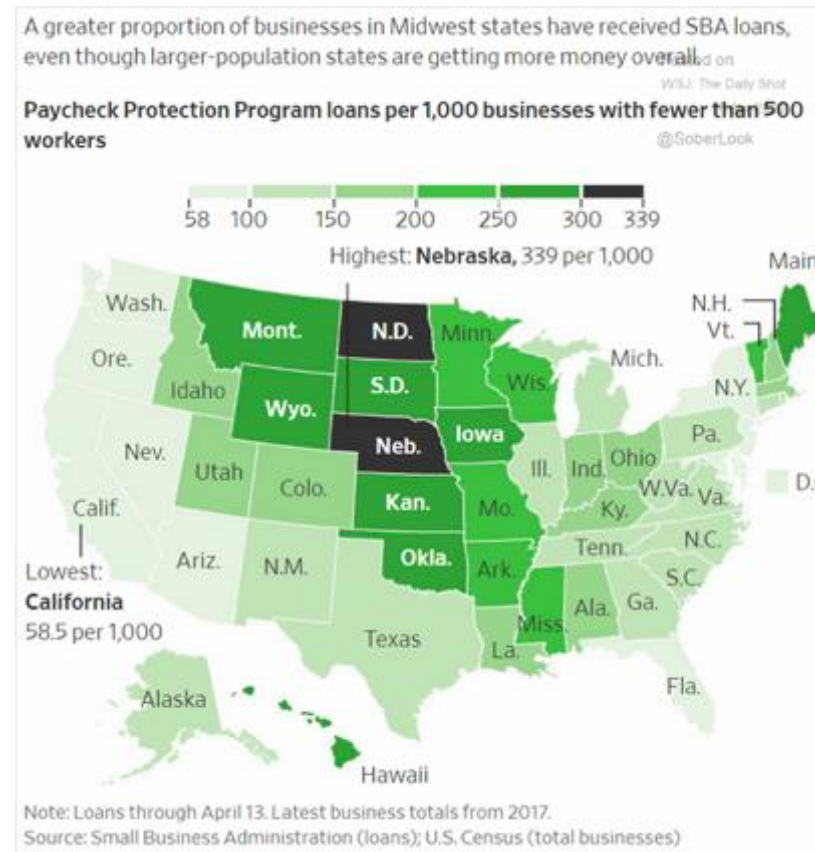
#12: Low Interest, Possibly Forgivable Loans for Small Businesses

Low-Interest, Possibly Forgivable Loans— Paycheck Protection Program (PPP)

- ▶ The CARES Act created the Paycheck Protection Program (PPP) which provides funding for 100% federally guaranteed loans
 - ▶ The loans are designed to ensure continued employment of employees
 - ▶ The loan period is February 15 through June 30, 2020, and covers businesses with less than 500 employees
 - ▶ Borrowers apply at participating banks and loans will be forgiven if wage levels are maintained during an 8-week period starting on the loan's origin date

What Happened to the PPP?

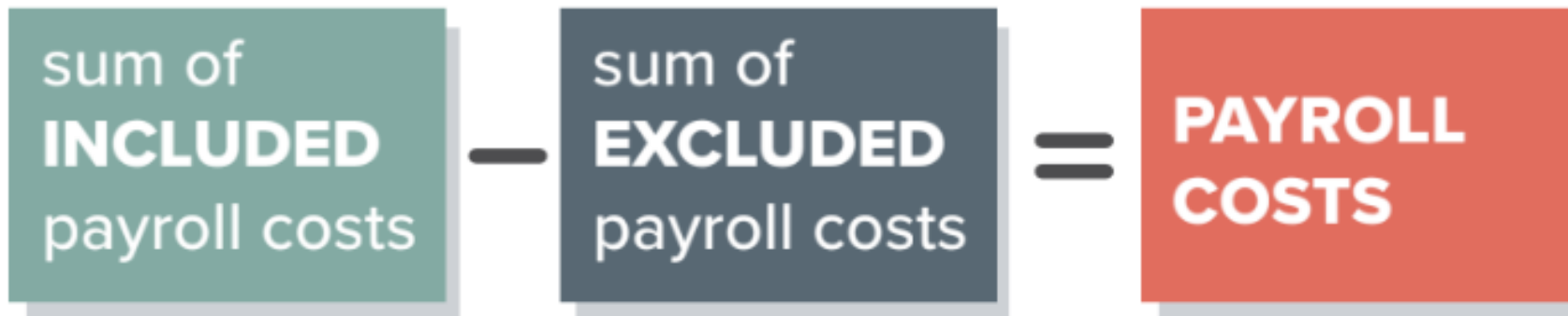
- ▶ Hit its loan limit of \$349B
- ▶ A greater portion of loans went to states in the Midwest - Nebraska got 339 loans per 1000 small businesses compared to California with 58.5 loans per 1000 small businesses
- ▶ Awarded an additional \$310 billion in funding



How Much Can I Borrow?

- ▶ Loans can be made up to 2.5x the borrower's average monthly payroll costs, not to exceed \$10 million

How do I calculate my average monthly **PAYROLL COSTS?**

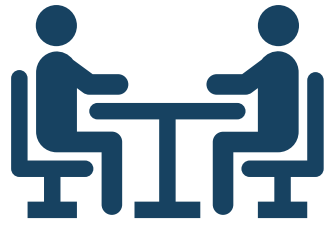


Protection Program (PPP) Loan Details

- ▶ The loan cannot duplicate payments already covered by the Families First Coronavirus Response Act
- ▶ No personal guarantee or collateral is required
- ▶ Principal and interest payments deferred 6 months (though interests will accrue during this time)
 - ▶ No interest owed on forgiven amounts
- ▶ "Good faith" certification is required and must meet the requirements
 - ▶ The loan is necessary, the funds will be used to retain workers and maintain payroll, and/or make mortgage, rent and utility payments


Don't Forget About EIDL Loans

- ▶ Consider Economic Injury Disaster Loans (EIDL), for up to \$10,000 to cover immediate payroll, mortgage, rent, etc.
- ▶ For any small business with less than 500 employees, private non-profit organization, or 501(c)(19) veterans organizations affected by COVID-19



Financial Planning Opportunities

- ▶ Does your small business qualify for a PPP or EIDL?
 - ▶ Ask your bank if they are eligible to process and service these loans
 - ▶ Check how large of a loan may be available to you
 - ▶ If you are going to apply, do so ASAP
- ▶ Review your payroll and other expenses and create a plan around how to best apply money for any loan you take out and whether the loan can be forgiven
- ▶ Review your financial plan with consideration as to how a loan will effect future expenses
- ▶ Should you rehire employees or restore wages before June 30, 2020 to regain eligibility for forgiveness?



#13: Payroll Tax Credit and Deferral

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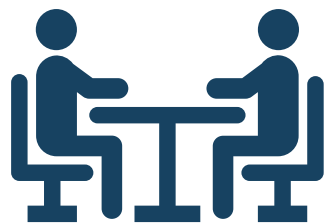
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A Refundable Payroll Tax Credit for 50% of Wages Paid by Employers to Employees

- ▶ The credit is available to employers whose...
 - ▶ Operations were fully or partially suspended due to a COVID-19 shutdown order
 - ▶ Gross receipts declined by more than 50% when compared to the same quarter in the prior year
- ▶ The credit is based on wages paid to the employees
 - ▶ For eligible employers with 100 or fewer full-time employees, all employee wages qualify for the credit whether the employer is open for business or subject to a shutdown order
 - ▶ The credit is provided for the first \$10,000 of compensation, including health benefits, paid to an eligible employee. The credit is provided for wages paid or incurred from March 13,⁵⁸ 2020 through December 31, 2020

Employers Are Also Eligible to Defer Payroll Taxes

- ▶ Includes 6.2% Social Security payroll tax
- ▶ Deferrals runs from the date of enactment through the end of the year until the end of 2021 and 2022.
 - ▶ 50% of the payroll taxes that would otherwise be due during this period may be deferred until December 31, 2021 and the remaining payroll taxes would be due on December 31, 2022



Financial Planning Opportunities

- ▶ Check to see if your business is eligible for the payroll tax credit in 2020.
- ▶ Have you had to implement major changes to your staff and payroll since March 13? Make sure to consider these changes when evaluating the amount of your payroll tax credit.
- ▶ Check to see if you are eligible to defer your payroll taxes through the end of 2021 or 2022.
- ▶ Check to see how these provisions effect your eligibility for SBA loans (as covered in the previous section). Talk to your financial advisor to create a plan moving forward.

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Recap: 13 Ways the Stimulus Packages Can Help You

- ▶ Free Coronavirus Testing
- ▶ Food Aid Expanded
- ▶ Paid Sick and Family Leave
- ▶ Expanded Unemployment Coverage
- ▶ Extension for Filing and Paying Taxes
- ▶ Stimulus Checks for Individuals, Couples, and Children
- ▶ Mortgage, Rent, Foreclosure, Eviction Relief
- ▶ Student Loan Payment Suspension
- ▶ New Charitable Giving Incentives
- ▶ IRA RMD Holiday
- ▶ Penalty-Free Withdrawal from IRAs and Retirement Plans
- ▶ Low Interest, Possibly Forgivable Loans for Small Businesses
- ▶ Payroll Tax Credit and Deferment

Planning Opportunities During the Coronavirus Pandemic



These questions are meant to start thinking and conversations about planning opportunities. They are not meant to be tax or financial recommendations. Talk to your financial advisor or tax professional before making any changes to your financial plan.

CASH FLOW ISSUES	YES	NO
Do you have tight cash flow? Reexamine budgets to reduce spending and consider extending due dates or altering payment schedules. Update plans as necessary.		
Did you receive a stimulus check? A married couple filing jointly is eligible for up to \$2,400, plus \$500 for each child under 17.		
Has your work been interrupted and could you qualify for unemployment benefits and family leave? You could be eligible for 10 days of sick leave and up to 50 days of family leave. Eligibility for unemployment benefits is expanded. Many of these benefits apply even if self-employed.		
Are you a small business owner? Consider small business loans (PPP and EIDL) under the stimulus package, along with payroll tax deferral and a payroll tax credit under certain conditions. Many of these benefits apply even if self-employed.		
Do you own a home subject to a mortgage or do you pay rent? Consider relief from foreclosure or eviction for federal mortgages.		
Do you have a mortgage, credit card or other debts? Consider refinancing any debts while interest rates are low.		
Can you receive student loan relief? Those with federal loans get a 60-day waiver of interest and can pause payments until September 30, 2020.		
Are you planning to retire in the near future? Review options, consider working longer and reduce spending. Update your plans as necessary.		
Are you subject to a Required Minimum Distribution in 2020? Consider whether you want to defer your RMDs as 2020 RMDs are waived. You can also return an RMD already taken within 60 days of withdrawal up until July 15.		

TAX PLANNING ISSUES	YES
Have you considered a Roth Conversion? Account values are depressed, taxes are not due until April 2021 and income is likely lower this year.	
Do you have any assets with a tax loss? Consider tax loss harvesting.	
Do you want to delay filing and payment of the federal income and/or gift tax? The IRS has offered an automatic extension for all 2019 tax filings and payments that were due on April 15, 2020 to July 15, 2020.	
Have you confirmed whether your state is providing similar tax relief as the federal government?	
Do you have extra cash? Take advantage of low valuations by investing or contributing to a Traditional IRA, Roth IRA, or Health Savings Account.	
LONG-TERM PLANNING ISSUES	YES
Have you cleaned up your portfolio? Valuations are low, so consider rebalancing investments, revisiting asset location, reviewing risk and the target asset allocation, and selling low basis holdings.	
Do you possess an updated estate plan? Review the impact of any changes in asset values upon distribution of your assets.	
Do you have an annual gifting strategy? Consider gifting assets while valuations are low.	
Do you want to financially assist family members? Consider gifts and intrafamilial loans, funding trusts or creating a grantor-retained annuity trust.	
Do you plan to make charitable gifts? The CARES Act allows a new above-the-line charitable deduction of up to \$300 when cash contributions are made to certain qualifying charities for 2020 and beyond, and allows for qualified contributions to be deducted up to 100% of AGI.	



Consult with a Financial Advisor to Determine Your Best Path Forward

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Thank You!

It is a privilege to serve you.

Please contact our
office with
questions!

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