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What You Need to Know About the CARES Act



\$2.2 Trillion Economic Stimulus Details

The two parties have come together to pass historic bipartisan legislation – the Coronavirus Aid, Relief and Economic Security (CARES) Act. This stimulus bill, signed into law on Friday, March 27th, will inject the economy with two trillion dollars and provide relief to individuals and businesses that have been impacted by the coronavirus pandemic.

Here are some of the key provisions included in the CARES Act:

Individuals and Families

Direct Payments: Estimated to total \$300 billion. Taxpayers will receive a one-time direct deposit of \$1,200 or \$2,400 for married couples, plus an additional \$500 per child. To receive the maximum benefit, individuals can't earn more than \$75,000 or \$150,000 per couple. The payments downscale if you earn more and disappear completely for individuals earning more than \$99,000 and couples earning more than \$198,000. The payments will be based on either your 2018 or your 2019 tax filings. If you don't file taxes but receive Social Security benefits, you're still eligible. Your payments will be based on the information provided by the Social Security Administration.

Unemployment: Estimated to total \$250 billion. Workers will be offered an additional \$600 per week for four months in addition to what their state programs pay. The bill also adds 13 weeks of unemployment insurance. People nearing the maximum number of weeks allowed by their state can get an extension. Unemployment insurance benefits will be extended through December 31st for eligible workers. Self-employed, independent

contractors and gig workers, who typically can't apply for unemployment, can take advantage of the bill's new Pandemic Unemployment Assistant Program if they're affected by the coronavirus.

Insurance coverage: All private insurance plans must cover COVID-19 treatments and vaccines. All coronavirus tests should be free.

Small Businesses

Emergency grants: Estimated to total \$10 billion. Grants will be available up to \$10,000 to provide emergency funds for small businesses to cover immediate operating costs.

Forgivable loans: Estimated to total \$350 billion. Will enable the Small Business Administration to provide loans up to \$10 million per business. Businesses can use these funds to maintain payroll, keep workers on the books, pay rent and mortgages. Existing debt may be forgiven. To qualify, workers must stay employed through the end of June.

Relief for existing loans: Estimated to total \$17 billion to cover six months of payments for companies already using SBA loans.

Large Businesses

Large businesses: Estimated to total \$500 billion. These corporations will have to pay this money back. Any company receiving loans under the CARE Act will be required to publicly disclose this information. They will also be barred from making stock buy backs for the term of the loan more plus one additional year.

Airlines: Estimated to total \$58 billion. This will be used to help cover employees' wages, salaries and benefits.

All Businesses

Tax Credit: Businesses of all sizes can benefit from a fully refundable tax credit if they are closed or impacted by coronavirus. These funds are aimed to help keep workers on the payroll. The benefit encourages companies to hire employees back or put them on paid furlough to make sure they have jobs to return to. The credit covers 50% of payroll on the first \$10,000 of

compensation, including health benefits.

Public Health

Hospitals responding to coronavirus: \$100 billion

Community health centers: \$1.32 billion

Drug Access: \$11 billion for diagnostics, treatments and vaccines. Also included is \$80 million for the FDA to prioritize and expedite approval of new drugs.

CDC: \$4.3 billion for coronavirus programs and response efforts

Veterans' health care: \$20 billion

Medicine and supplies: \$16 billion to increase supply of ventilators and masks

Safety Net

Food: \$8.8 billion for child nutrition, \$15.5 billion for food stamps and \$450 million for food banks

State and Local Governments:

Local programs: \$339.8 billion will be divided toward specific coronavirus efforts, direct aid for local and state governments running out of cash, community development block grants, schools and child care centers

Education

Student loan relief: All loan and interest payments are deferred through September 30th without penalty.

Employers can provide up to \$5,250 in tax-free student loan repayment benefits. Workers wouldn't have to include this money as income.

Other programs: There are benefits for students forced to drop out due to coronavirus. Also, legislation allowing schools to re-allocate work-study funding into supplemental grants while continuing to pay work-study wages.

How the CARES Act Impacts Your Retirement Plan



Information on RMDs, Withdrawals, and Loans

There are numerous provisions in the bill that can impact retirement plan participants and sponsors.

Required Minimum Distributions (RMDs)

The CARES Act waives RMDs that are required to be paid in 2020. This also includes anyone's first RMD that is attributable to 2019. If you have already received an RMD in 2020, you can elect to roll it over and defer paying taxes on it. Roll overs must be done within 60 days.

This may be a good strategy for you because your 2020 RMDs are calculated using the balance in your retirement account as of December 31st, 2019. Since the market has significantly dipped since then, taking your RMD now may cause a disproportionately large taxable distribution. It also gives your account another year to recover from recent volatility in the market. Talk to your advisor before making changes to your RMD schedule.

Participant Withdrawals and Loans

If allowed by the plan, participants may be able to withdraw up to \$100,000 from their retirement plan until December 31st, 2020 without accruing penalties. However, tax must be paid on the withdrawal.

Plan loans (if allowed by the plan) have also increased to the lesser of \$100,000 or 100% of the participants vested balance. This only applies to loans made on or before September 23, 2020. If you already have an outstanding loan, your repayments may be delayed for up to one year, subject to plan approval.

In order to be eligible for such a withdrawal or loan, the participant, participant's spouse or dependent must have been diagnosed with COVID-19, or suffered other adverse financial consequences due to COVID-19 such as furlough or loss of business.

We highly recommend speaking to your advisor before taking a loan or withdrawal from your retirement plan. Taking money out during a bear market can be very expensive and is rarely a good idea for a client.

Plan Amendments

The above provisions may be used immediately but the retirement plan must be amended to formally include these options no later than the last day of the first plan year beginning on or after January 1, 2022.

If you are a plan sponsor and you would like to include these provisions in your retirement plan, please speak to your advisor.

Defined Benefit Plans

The CARES Act includes a delay in contribution deadlines for defined benefit plans. Any contribution due in 2020 now has the due date of January 1, 2021. Employers must pay interest on delayed contributions.



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