

Fifth House Ensemble – Fresh Inc Festival

Financial 911: What You Need to Know During COVID-19

April 17, 2020

Tad Gray, CFP®, CIMA®
Wealth Advisor

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“There are two ways of being creative. One can sing and dance. Or one can create an environment in which singers and dancers flourish.”

- Warren Bennis

About

Tad Gray, CFP[®], CIMA[®]

Tad Gray is a Wealth Advisor with Buckingham Strategic Wealth. He holds the Certified Investment Management Analyst[®] designation and is a CERTIFIED FINANCIAL PLANNER[™] professional.

He received a music degree from the University of Colorado. After earning an MBA from the Wharton School, he served in leadership and business development roles in corporate banking, derivatives and capital markets with Bank of America and Wells Fargo.

Tad serves as board president for the Chicago - based Fifth House Ensemble. Tad lives in Wilmette with his wife, a violinist and a teacher.

Buckingham Strategic Wealth

We are Buckingham Strategic Wealth, a growing organization of advisors, financial specialists and national thought leaders committed to delivering on the promise of true wealth management. As a Registered Investment Advisor, the essence of our approach is based on a pledge to act in the best interest of our clients, including individuals, businesses, trusts, nonprofit organizations, health - care professionals and retirement plans. We put the power of evidence - based investing and thoughtful, multi - faceted planning to work for our clients, helping them safeguard their financial futures and achieve their most important goals.

Discussion Points

- A proactive mindset
- What's going on?
- Let's make a plan
- Available help (CARES Act)
- Looking ahead
- Q&A
- Additional resources

Let's Make a Plan

Assess Where You Are Right Now

Resources

- What you own
- What you owe

Cash Flow

- What's coming in
- What's going out

Goals

- How do I take care of what's most important to me?

Focus on Cash Flow

Income

- Earned income
- Recovery rebates ✓
- Unemployment insurance (enhanced) ✓
- Small business support ✓

Expenses

- Defer student loans ✓
- Creditors (credit cards, auto loans)
- Income taxes ✓
- Mortgage forbearance (contact landlord) ✓
- Utilities
- Health insurance

Emergency Cash: Best to Worst

1. Emergency fund (bank, short - term securities)
2. Low - risk assets in taxable account
3. Roth IRA contributions
4. Cash value life insurance
5. 401(k) loan
6. Home equity line of credit
7. Hardship withdrawals (IRAs)
8. Reverse mortgage
9. Margin loans
10. Credit cards

Source: Morningstar.com (Benz): 10 Sources of Emergency Cash, Ranked from Best to Worst

Liabilities – Debt Relief

- Defer student loans
- Mortgage forbearance
 - Government order makes borrowers eligible to skip or reduce payments
- Contact other lenders
 - Credit cards
 - Auto loans
- Utilities and other bills

You can't just stop
paying your bills.

CARES Act

KEY 2020 CARES ACT PROVISIONS

RECOVERY REBATES	CORONAVIRUS-RELATED DISTRIBUTIONS	OTHER PROVISIONS	UNEMPLOYMENT COMPENSATION BENEFITS	SMALL BUSINESS BENEFITS
<ul style="list-style-type: none"> • Refundable income tax credit against 2020 income of up to \$2,400 for married couples filing a joint return. All other filers begin with a refundable credit of up to \$1,200. The credit amount then increases by up to \$500 for each child a taxpayer has under the age of 17. • AGI threshold amounts: Married Joint, \$150,000; Head of Household, \$112,500; All Other Filers, \$75,000. Payment reduced by \$50 for every \$1,000 over threshold amounts. • Individuals must have a work-eligible Social Security number (and not be claimed as a dependent), but they do not need to have had reportable income in 2019 and can also be eligible for other income-benefit programs as well. 	<ul style="list-style-type: none"> • Coronavirus-Related Distributions are distributions of up to \$100,000, made from IRAs, employer-sponsored retirement plans, or a combination of both, which are made in 2020 by an individual who has been impacted by the Coronavirus. • Distributions are exempt from the 10% penalty, not subject to mandatory withholding requirements, are eligible to be repaid over 3 years, and the income may be spread over 3 years. 	<ul style="list-style-type: none"> • Required Minimum Distributions are waived in 2020, and taxpayers who have already taken their RMDs for 2020 have the option of returning them, if they so desire. • 2020 is ignored for the purposes of the 5-Year Rule that applies to Non-Designated Beneficiaries (e.g., charities, estates, non-Save-Through Trusts) who inherit a retirement account from decedents who die prior to reaching their required beginning date. • New \$300 above-the-line deduction for "qualified charitable contributions", and the AGI limit for cash charitable contributions has been temporarily repealed. • Student loan payments deferred until September 30, 2020, and employers can exclude student loan repayments from compensation. 	<ul style="list-style-type: none"> • 'Regular' Unemployment Compensation is 'bumped' by \$600 per week, and the benefit period is extended by 13 weeks. • Unemployment benefit will be available the first week of unemployment, waiving the 'normal' one-week waiting period. 	<ul style="list-style-type: none"> • Certain small business can qualify for small business loans up to a maximum of the lesser of \$10 million, or 2.5x average payroll costs to cover payroll, rent, utilities, mortgage interest, group insurance premiums, etc. • Such loans are eligible for full or partial forgiveness. Eligible amounts must be spent during the first 8 weeks after the loan is made if spent on payroll costs, rent, utilities, and group health insurance premiums, BUT business MUST maintain the same number of employees (subject to certain timeframes). • Payroll tax credit for qualifying businesses not receiving a covered loan (above). • Employers are eligible to defer payroll taxes from the date of enactment, through the end of the year, until the end of 2021 and 2022.

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 Source: Coronavirus Aid, Relief, and Economic Security Act

Coronavirus Aid, Relief, and Economic Security (CARES) Act

- Recovery Rebates
 - \$1,200 per person refundable tax credit
- Coronavirus - Related Distributions
 - Retirement account (401k, IRA, etc.)
 - Holiday from Required Minimum Distributions (RMDs)
- Unemployment Compensation Benefits
 - Regular unemployment compensation
 - Expanded eligibility
 - \$600 per week “bump”

CARES Act(cont.)

- Small Business Benefits
 - Payroll Protection Program (PPP)
 - Deferral of payroll taxes
 - Certain tax credits (applicable to for - profit businesses)
- Other Provisions
- Federal student loan deferrals (September 2020)
- “Above the line” \$300 charitable contribution deduction

Recovery Rebates

- \$1,200
 - Individuals making less than \$75,000
- \$2,400
 - Couples making under \$150,000
 - Those with children under 17 will receive \$500 per dependent
- Options for non - filers
 - See additional resources

Pandemic Unemployment Assistance

- State Unemployment Insurance Programs + CARES Act Provisions
 - Relief for freelancers (“gig workers”)
 - Benefits up to 100% of employment earnings (versus typical 40% – 60%)
 - \$600 extra (through July 31)
 - Benefits are taxable income
- How to file:
 - Contact your state’s unemployment insurance office (state where you work).
 - Have: SSN, contact info, and bank account numbers. Detailed work history data (employers, dates, earnings, etc.). See resources page.

CARES Act for Small Business As of April 7, 2020

FOR BUSINESS OWNERS					BENEFITS TO EMPLOYEES (AND OWNER)
CARES Act Provisions for Small Business Owners	Economic Injury Disaster Loan (EIDL): SBA 7(b)(2)	Paycheck Protection Program (PPP) Loan: SBA 7(a)	Employee Retention Credit	Delay of Payment of Employer Payroll Taxes	CARES Act Expanded Unemployment Benefits
Loan or Credit Source	SBA https://covid19relief.sba.gov/#/	Private Lender (bank, etc.)	IRS	IRS - Secretary of the Treasury	Elimination of one week waiting period
Maximum Amount	\$2,000,000	\$10,000,000	50% of employee wages up to \$10K per employee <100 employees: credit for all employees >100 employees: credit for wages paid to employees who did not work	The employer portion (50%) of employer payroll taxes from March 27, 2021 - January 1, 2021 can be deferred. Does not apply to Medicare taxes.	Increase of \$600 weekly payment on top of state's unemployment (capped at historic earnings)
Who Qualifies	500 employees and under Paid staff or independent contractors paid in 2020 Negatively affected by COVID-19	500 employees and under Paid staff or independent contractors paid in 2020 Negatively affected by COVID-19	Had trade or business during calendar year 2020 Fully or partially suspended operation in 2020 due to government regulation OR experience decline of gross receipts by 50% for a calendar quarter (compared to prior years quarter)	Had trade or business during calendar year 2020	Short-time compensation program (unemployment benefits for cut hours)
Loan Amount Calculation	Submit data: SBA will decide	2.5 times average total monthly payroll costs Plus any SBA 7(b)(2) Loans (EIDL Loan)	Wages paid from March 12, 2020 - January 2, 2021 Including health plan expense	50% of delayed payments due 12/31/2021 50% of delayed payments due 12/31/2022	Unemployment of self-employed
Use of Funds	Payroll costs Sick leave Rental costs Repaying obligations Increased costs for materials	Payroll costs Continuation of health insurance Employee salaries (under \$100K) Interest on mortgage or rent payments Utilities Interest on debt obligations incurred prior to 2/15/2020	IF YOU USE THE EMPLOYEE RETENTION CREDIT YOU CANNOT UTILIZE THE PPP LOAN	IF YOU DELAY THE PAYMENT OF EMPLOYER PAYROLL TAXES YOU CANNOT UTILIZE THE PPP LOAN	Unemployment compensation extended by 13 weeks
Forgiveness Amount	\$10,000 EIDL Emergency Grant Provision Applies as advance against PPP Loan forgiveness	Payroll costs Rent or interest on mortgage payments Utility payments NOTE: SBA has issued guidance that at least 75% of the forgiven amount should be for payroll cost			
Forgiveness Window	NA - \$10K is grant. If loan exceeds \$10K roll into PPP SBA 7(a) Loan	Forgivable costs incurred in the eight weeks following loan origination			

Paycheck Protection Program (PPP)

- Loan backed by the Small Business Administration (SBA)
 - Issued by SBA lender
 - Up to 2.5 times average monthly payroll or \$10 million
 - May be used for: payroll, group health insurance, rent/mortgage, utilities and business interest
- Forgivable
 - 100% of costs (described above) during eight - week period
 - If the business maintains same number of employees (2/15/2020 to 6/30/2020)
- Other benefits include
 - Discharged debt nontaxable
 - Maximum interest rate is 4%
 - Initial payments will be deferred for six to 12 months

Deferral of Payment of Payroll Taxes

Employers will be permitted to defer 2020 payroll taxes

- 50% will be due on 12/31 of 2021
- Remaining 50% will be due on 12/31 of 2022
- Applies to self-employed individuals as well (only employer portion)

May not be used in conjunction
with Payroll Protection Program.

Economic Injury Disaster Loans (EIDLs)

Additional program through the Small Business Administration

- Up to \$2 million loan
 - Repayment up to 30 years
 - 3.75% interest rate
- Emergency EIDL Grant
 - Up to \$10,000
 - Possible SBA cap of \$1,000 per employee
- Employee Retention Credit
 - Tax credits applicable to for-profit businesses

Student Loan Relief

Federal Student Loan Payments Deferred

- No payments to 9/30/2020
- No interest will accrue
- Period still counts toward forgiveness programs (PSLF)
- Debt collections suspended

Contact your lender —
don't just stop paying.

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"I don't have any answers. I'm a non-prophet."

Proactive Mindset

Proactive Mindset

“Those who have a 'why' to live, can bear with almost any 'how'.”

– Viktor E. Frankl, Man's Search for Meaning

- Reflect on your purpose – your “why”
- It's ok to not be ok
- Focus on what you can control
 - Cultivate daily routines and “resolve” to accomplish tasks
 - Celebrate “small” achievements
 - Practice gratitude
 - Help others

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“If you’re going through hell, keep going.”

- Winston Churchill

Thank you for all you do!

Tad Gray

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