# Financial Update

Ideas and Action Steps for Achievers


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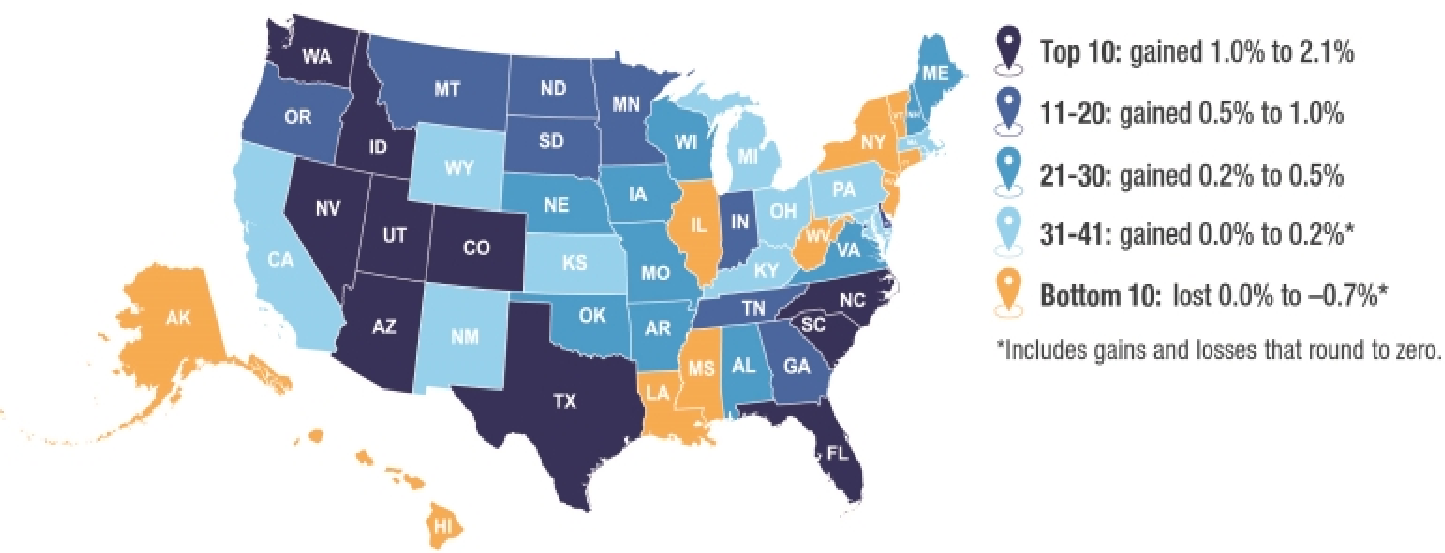
## State Population: Winners and Losers

The U.S. population was 328,239,523 in 2019, an increase of 0.5% over 2018. This was the fourth consecutive year of slowing population growth due to fewer births, more deaths, and lower immigration from other countries. Forty states and the District of Columbia gained population, while 10 states lost population. Here are the winners and losers based on percentage increase or decrease in population.




Source: U.S. Census Bureau, 2019

# Five Key Benefits of the CARES Act for Individuals and Businesses

By now you know that Congress has passed a $2 trillion relief bill to help keep individuals and businesses afloat during these difficult times. The Coronavirus Aid, Relief, and Economic Security (CARES) Act contains many provisions. Here are five that may benefit you or your business.

## 1. Recovery Rebates

Many Americans will receive a one-time cash payment of $1,200. Each U.S. resident or citizen with an adjusted gross income (AGI) under $75,000 ($112,500 for heads of household and $150,000 for married couples filing a joint return) who is not the dependent of another taxpayer and has a work-eligible Social Security number, may receive the full rebate. Parents may also receive an additional $500 per dependent child under the age of 17.

The $1,200 rebate amount will decrease by $5 for every $100 in excess of the AGI thresholds until it completely phases out. For example, the $1,200 rebate completely phases out at an AGI of $99,000 for an individual taxpayer and the $2,400 rebate phases out at $198,000 for a married couple filing a joint return.

Rebate payments will be based on 2019 income tax returns (2018 if no 2019 return was filed) and will be sent by the IRS via direct deposit or mail. Eligible individuals who receive Social Security benefits but don't file tax returns will also receive these payments, based on information provided by the Social Security Administration.

The rebate is not taxable. Because the rebate is actually an advance on a refundable tax credit against 2020 taxes, someone who didn't qualify for the rebate based on 2018 or 2019 income might still receive a full or partial rebate when filing a 2020 tax return.

## 2. Extra Unemployment Benefits

The federal government will provide $600 per week to those who are eligible for unemployment benefits as a result of COVID-19, on top of any state unemployment benefits an individual receives. Unemployed individuals may qualify for this additional benefit for up to four months (through July 31.) The federal government will also fund up to an additional 13 weeks of unemployment benefits for those who have exhausted their state benefits (up to 39 weeks of benefits) through the end of 2020.

The CARES Act also provides assistance to workers who have been affected by the COVID-19 pandemic but who normally wouldn't be eligible for unemployment benefits, including self-employed individuals, part-time workers, freelancers, independent contractors, and gig workers. Individuals who have to leave work for coronavirus-related reasons are also potentially eligible for benefits.

## 3. Federal Student Loan Deferrals

For all borrowers of federal student loans, payments of principal and interest will be automatically suspended for six months, through September 30, without penalty to the borrower. Federal student loans include Direct Loans (which includes PLUS Loans), as well as Federal Perkins Loans and Federal Family Education Loan (FFEL) Program loans held by the Department of Education. Private student loans are not eligible.

## 4. IRA and Retirement Plan Distributions

Required minimum distributions from IRAs and employer-sponsored retirement plans will not apply for the 2020 calendar year. In addition, the 10% premature distribution penalty tax that would normally apply for distributions made prior to age 59½ (unless an exception applied) is waived for coronavirus-related retirement plan distributions of up to $100,000. The tax obligation may be spread over three years, with up to three years to reinvest the money.


## 5. Help for Businesses

The CARES Act includes several provisions designed to help self-employed individuals and small businesses weather the financial impact of the COVID-19 crisis.

Self-employed individuals and small businesses with fewer than 500 employees may apply for a Paycheck Protection Loan through a Small Business Association (SBA) lender. Businesses may borrow up to 2.5 times their average monthly payroll costs, up to $10 million. This loan may be forgiven if an employer continues paying employees during the eight weeks following the origination of the loan and uses the money for payroll costs (including health benefits), rent or mortgage interest, and utility costs.

Also available are emergency grants of up to $10,000 (that do not need to be repaid if certain conditions are met), SBA disaster loans, and relief for business owners with existing SBA loans.

Businesses of all sizes may qualify for a refundable payroll tax credit of 50% of wages paid to employees during the crisis, up to $10,000 per employee. The credit is applied against the employer's share of Social Security payroll taxes.

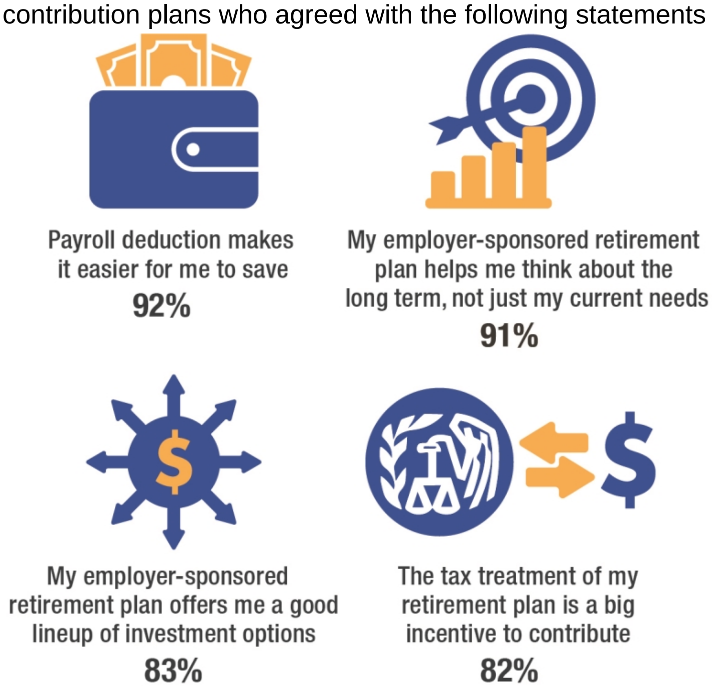
# Managing Your Workplace Retirement Plans

About 80 million Americans actively participate in employer-sponsored defined contribution plans such as 401(k), 403(b), and 457(b) plans.[1] If you are among this group, you've taken a big step on the road to retirement, but as with any investment, it's important that you understand your plan and what it can do for you. Here are a few ways to make the most of this workplace benefit.

**Take the free money.** Many companies match a percentage of employee contributions, so at a minimum you may want to save enough to receive a full company match and any available profit sharing. Some workplace plans have a vesting policy, requiring that workers be employed by the company for a certain period of time before they can keep the matching funds. Even if you meet the basic vesting period, funds contributed by your employer during a given year might not be vested unless you work until the end of that year. Be sure you understand these rules if you decide to leave your current employer.

## Reasons to Contribute

Percentage of households with assets in defined contribution plans who agreed with the following statements




Source: Investment Company Institute, 2018

**Bump up your contributions.** Saving at least 10% to 15% of your salary for retirement (including any matching funds) is a typical guideline, but your personal target could be more or less depending on your income and expenses. A traditional employer-sponsored plan lets you defer income taxes on the money you save for retirement, which could enable you to save more. In 2020, the maximum employee contribution to a 401(k), 403(b), or 457(b) plan is $19,500 ($26,000 for those age 50 and older).[2] Some plans offer an automatic escalation feature that increases contributions by 1% each year, up to a certain percentage.

**Rebalance periodically.** Your asset allocation — the percentage of your portfolio dedicated to certain types of investments — should generally be based on your risk tolerance and your planned retirement timeline. But the allocation of your investments can drift over time due to market performance. Rebalancing (selling some investments to buy others) returns a portfolio to its original risk profile and does not incur a tax liability when done inside a retirement plan. Consider reviewing your portfolio at least annually. Some workplace plans offer automatic rebalancing.

**Know your investments.** Examine your investment options and choose according to your personal situation and preferences; some employer-sponsored plans may automatically set up new employees in default investments. Many plans have a limited number of options that may not suit all of your needs and objectives, so you might want to invest additional funds outside of your workplace plan. If you do, consider the risk and overall balance of your portfolio, including investments inside and outside your plan.

**Keep your portfolio working.** Some employer plans allow you to borrow from your account. It is generally not wise to use this option, but if you must do so, try to pay back your loan as soon as possible in order to give your investments the potential to grow. Plans typically have a five-year maximum repayment period.

*All investments are subject to market fluctuation, risk, and loss of principal. When sold, investments may be worth more or less than their original cost. Asset allocation is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss. Distributions from employer-sponsored retirement plans are generally taxed as ordinary income. Withdrawals prior to age 59½ may be subject to a 10% federal income tax penalty.*

1) American Benefits Council, 2019

2) Employer contributions are not included in these annual employee limits for 401(k) and 403(b) plans. Employers typically do not contribute to 457(b) plans, but any such contributions will count toward the employee limit. There may be additional catch-up contribution opportunities for 403(b) and 457(b) plans.

# Why You Might Need Disability Income Insurance

Your ability to earn an income may be your most valuable asset. It might be difficult to make ends meet if you are unable to work due to illness or injury.

According to one report, only 34% of men and 20% of women said they felt extremely confident in supporting their households during a period of income loss.[1] It's important to assess your own situation and determine whether you have appropriate financial backup in the event that you cannot work due to a disability.

Your employer may offer long-term disability coverage, but you could lose your subsidized coverage if you change jobs. Even if you remain covered through your job, group plans typically don't replace as large a percentage of income as an individual plan could, and disability benefits from employer-paid plans are taxable if the premiums were paid by the employer.

An individual disability income policy could help replace a percentage of your income (up to the policy limits) if you're unable to work as a result of an illness or injury. Depending on the policy, benefits may be paid for a specified number of years or until you reach retirement age. Some policies pay benefits if you cannot work in your current occupation; others might pay only if you cannot work in any type of job. If you pay the premiums yourself, disability benefits are usually free of income tax. And the policy will stay in force regardless of your employment situation as long as the premiums are paid.

Social Security offers some disability protection, but qualifying is difficult. And the monthly benefit you might receive ($1,258, on average) will probably not be enough to replace your lost income.[2]

Having an individual disability income insurance policy could make the difference between being comfortable and living on the edge.

*A complete statement of coverage, including exclusions, exceptions, and limitations, is found only in the policy. It should be noted that carriers have the discretion to raise their rates and remove their products from the marketplace.*

1) Council for Disability Awareness, 2019

2) Social Security Administration, 2020