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# PLANNING OPPORTUNITIES DURING THE CORONA VIRUS PANDEMIC

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APRIL 24, 2020

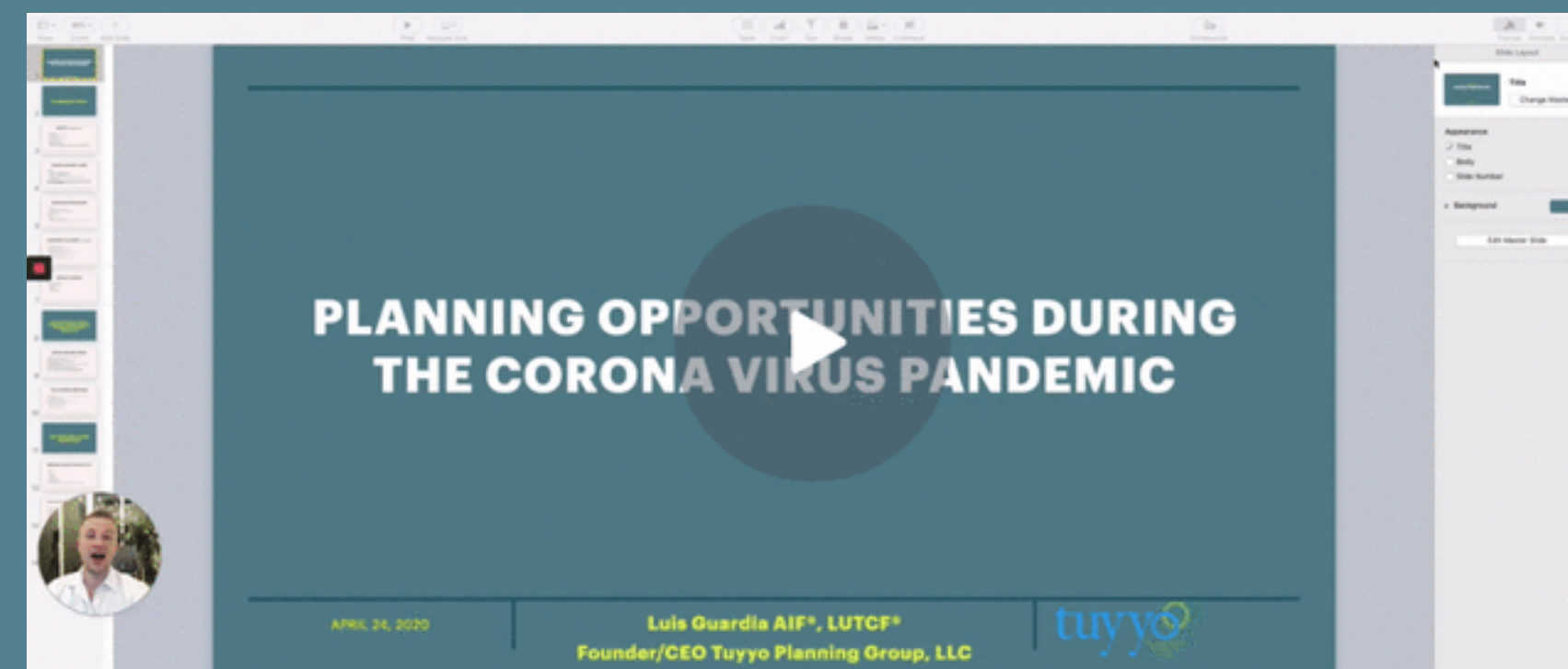
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**WANT TO WATCH THIS IN  
VIDEO FORMAT? CLICK  
BELOW** 🖱️

Planning Opportunities During the Coronavirus Pandemic- (Feel free to share) — Watch Video



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**IS CASHFLOW TIGHT?**

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# BUDGET (SPENDING PLAN)

## ➤ Reexamine Your Budget

- **Evaluate size of emergency fund (3-6 months): Roof, HVAC, etc**
- **Review discretionary expenses**
- **Subscriptions, Gym Memberships**
- **Budget resources- Free: [vertex42.com](https://www.vertex42.com) Paid: [YNAB.com](https://www.youneedabudget.com) (\$84/yr)**
- **Apply for Unemployment Insurance**
- **Request credit card interest rate reduction**
- **Apply for Pandemic Unemployment Assistance (PUA)**
- **Do you have the appropriate type of Life Insurance? (Low Cost Term Life vs Expensive Permanent Life Insurance) Appropriate duration of life insurance? Term Life can be less expensive (if in good health, non-tobacco) and portable vs Employment Elective Group Coverage.**

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# FEDERAL STUDENT LOANS

## ➤ **CARES ACT:**

- **0% interest & No PAYMENTS through Sep. 30th 2020**
- **Defaulted and non-defaulted (Direct Loans)**
- **Defaulted and non-defaulted Federal Family Education Loans (FFEL Program Loans)**
- **Federal Perkins Loans**

**\*\*Please note that some FFEL Program loans are owned by commercial lenders, and some Perkins Loans are owned by the institution you attended. These loans are not eligible for this benefit at this time. Contact your Loan Servicer or visit [StudentAid.gov/login](https://studentaid.gov/login)**

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# MORTGAGE REFINANCING

## ➤ Traditional Refinance

- **Best if you can reduce rate by 1% or more & Loan is <10 yrs old**
- **Reduce Interest Rate- 30 yr fixed as low as @ 3.375% (depending on credit score)**
- **Reduce Monthly Payment- \$\$\$**

## ➤ Cash-Out REFI

- **Access up to 80% Tax Free Capital**
- **Eliminate PMI**
- **Rates around 3.65% on primary residence (30 yr fixed)**
- **\$60,000 Cash-Out refi example: Originally Purchased for \$215k, Current Loan Balance \$180k, Appraised at \$300k, 3.65% 30 yr rate**

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# RETIREMENT ACCOUNTS (LAST RESORT)

## ➤ Reduce Retirement Account Contribution

- **BUT try to contribute up to your employer match (free money)**

## ➤ Coronavirus-Related Distribution: You, spouse or dependent were diagnose with or financially impacted by Covid-19.

- **Up to \$100,000 exempt from 10% penalty and withholding**
- **Can be reported over 3 year period and can be rolled back (whole or part) into acct within 3 yrs**

## ➤ 401k or other Retirement Account Loans

- **Increase from \$50K to \$100K loan- May equal, but not exceed vested balance (during the 180 day period following enactment)**
- **Payments that were to be made in 2020 can be delayed up to One Year.**
- **Tax Free, Rate is close to Prime Rate, your paying yourself back the interest, and typically over a 5 year period.**

## ➤ ROTH IRA's

- **Return of Principle (Contributions, Cost Basis) can always be taken out tax free**

## ➤ Financial Planning Association (FPA)- PRO-BONO Opportunities for those is need. Email: ([rosslpatterson@gmail.com](mailto:rosslpatterson@gmail.com))

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# ESTATE PLANNING

## ➤ Estate Planning Documents

- **Healthcare Proxies**
- **Living Wills**
- **Advanced Directives**



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**OPPORTUNITIES IF YOU ARE  
FINANCIALLY SECURE DURING A  
RECESSION OR MARKET  
CORRECTION**

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# ASSETS AND DEBT ISSUES

- **Refinancing debts while rates are low (investment properties, commercial loans, etc)**
- **Rebalancing Investment and Retirement Accounts**
- **Revisit target asset allocation and overall investment philosophy**
- **If you DIY your investments, create an Investment Policy Statement (IPS) to guide your decision making and process. (Will provide a sample IPS)**
- **Traditional or Roth IRA contributions- Taking advantage of low valuations**
- **Revisit the fees of your current investment holdings (ETF Index funds vs Managed funds)**
- **Maximize Yield on Cash: UFB Direct & Comenity Bank offer 1.7% APY(as of 4/23/2020)**

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# TAX PLANNING QUESTIONS

➤ **Do you have a traditional 401(k) or IRA?**

- **Converting some of the assets into a Roth IRA could be beneficial while valuations are low. If you are laid off, you may have more room in your tax bracket to do Roth conversions.**

➤ **Do you have any assets with a tax loss?**

- **Consider harvesting the loss, which could reduce your tax liability**

➤ **Good opportunity to fund College 529 plans during low valuations**

➤ **If you have an annual gifting strategy in place to pass assets to your heirs consider:**

- **Gifting assets (up to \$15k per person) now, while valuations are low and while support may be particularly helpful to the donee.**

➤ **Are you in a position to help family members in need of financial assistance?**

- **Consider making intra-family loans when the Applicable Federal Rate (AFR) is low.**
- **Avoids gift tax**
- **Locks in a favorable interest rate for the borrower**
- **Can act as an “advance” on inheritance when structured with your heirs.**

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**NEW PROPOSALS BEING  
INTRODUCED**

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# EMERGENCY MONEY FOR PEOPLE ACT

➤ **\$2,000/Month for 6 months**

➤ **Eligibility**

- **16 Years or older**
- **\$130,000 income or less**
- **Doubles for couples**
- **\$500 extra per child (max \$1,500)**
- **Not counted as income**
- **Applies to those claimed as dependents**

➤ **Cost: \$448 Billion/month or \$2.7 Trillion**

➤ **<https://khanna.house.gov/media/press-releases/release-representatives-ro-khanna-and-tim-ryan-introduce-legislation-send>**

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# EMERGENCY RENT AND MORTGAGE CANCELATION ACT

## ➤ Renters- 1 Year

- No rent on primary residence
- No impact on credit score
- Not treated as owed debt

## ➤ Home Owners- 1 Year

- No mortgage on primary residence
- No impact on credit score
- No risk of foreclosure

## ➤ Landlords

- Rent to be reimbursed
- Comes with strict stipulation. Ex: no rent increase for 5 years

## ➤ Cost = \$1.3 Trillion

## ➤ <https://omar.house.gov/sites/omar.house.gov/files/Omar%20-%20Rent%20%26%20Mortgage%20Cancellation%20Act%20-One%20Pager%20and%20Legislative%20Framework.pdf>

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# AUTOMATIC BOOST TO COMMUNITIES ACT

- **One time Debit card pre-loaded with \$2,000 for every person in America**
  - **Family of 4 would= \$8,000**
  - **\$1,000 recharge/month until 1 yr after crisis**
  - **<https://omar.house.gov/sites/omar.house.gov/files/Omar%20-%20Rent%20%26%20Mortgage%20Cancellation%20Act%20-One%20Pager%20and%20Legislative%20Framework.pdf>**