



# Managing Through the Coronavirus Crisis

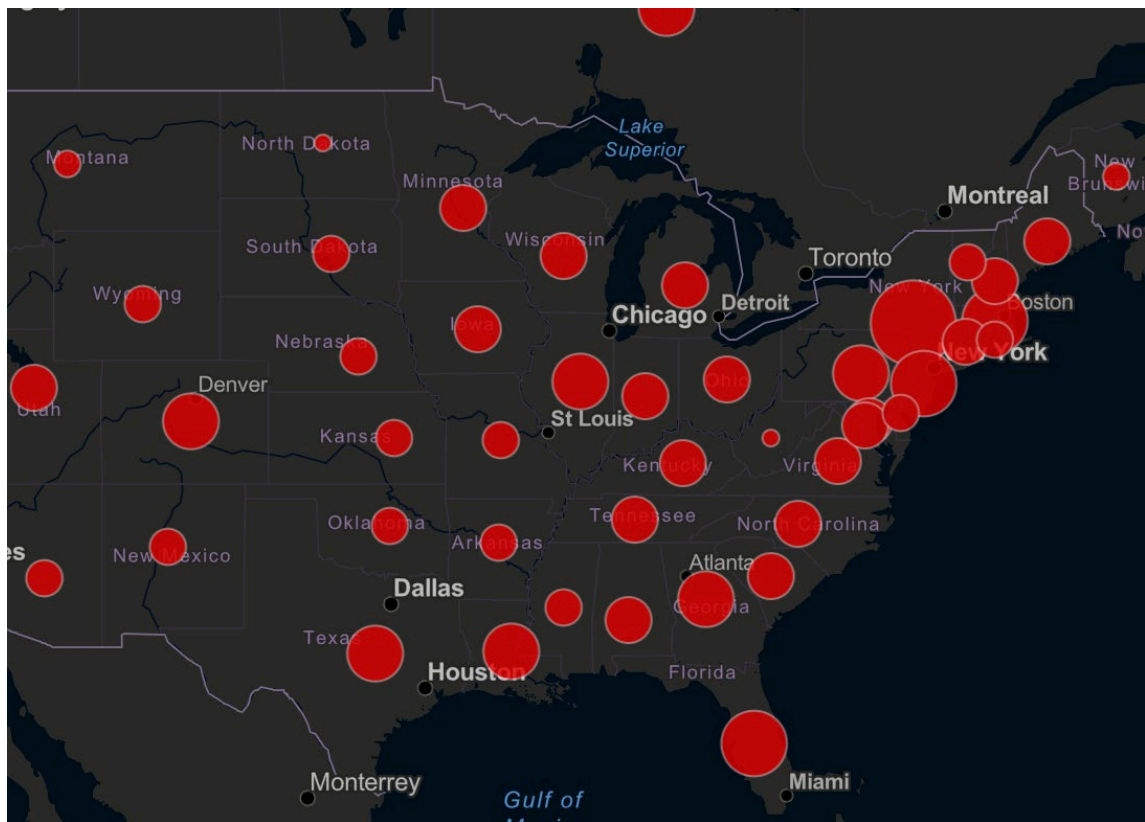
Debra Taylor  
CPA/PFS, JD, CDFA  
Founder and Wealth Advisor  
795 Franklin Ave, Building C, Suite 202,  
Franklin Lakes, NJ 07417

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# Part 1: Understanding the Coronavirus and the Markets

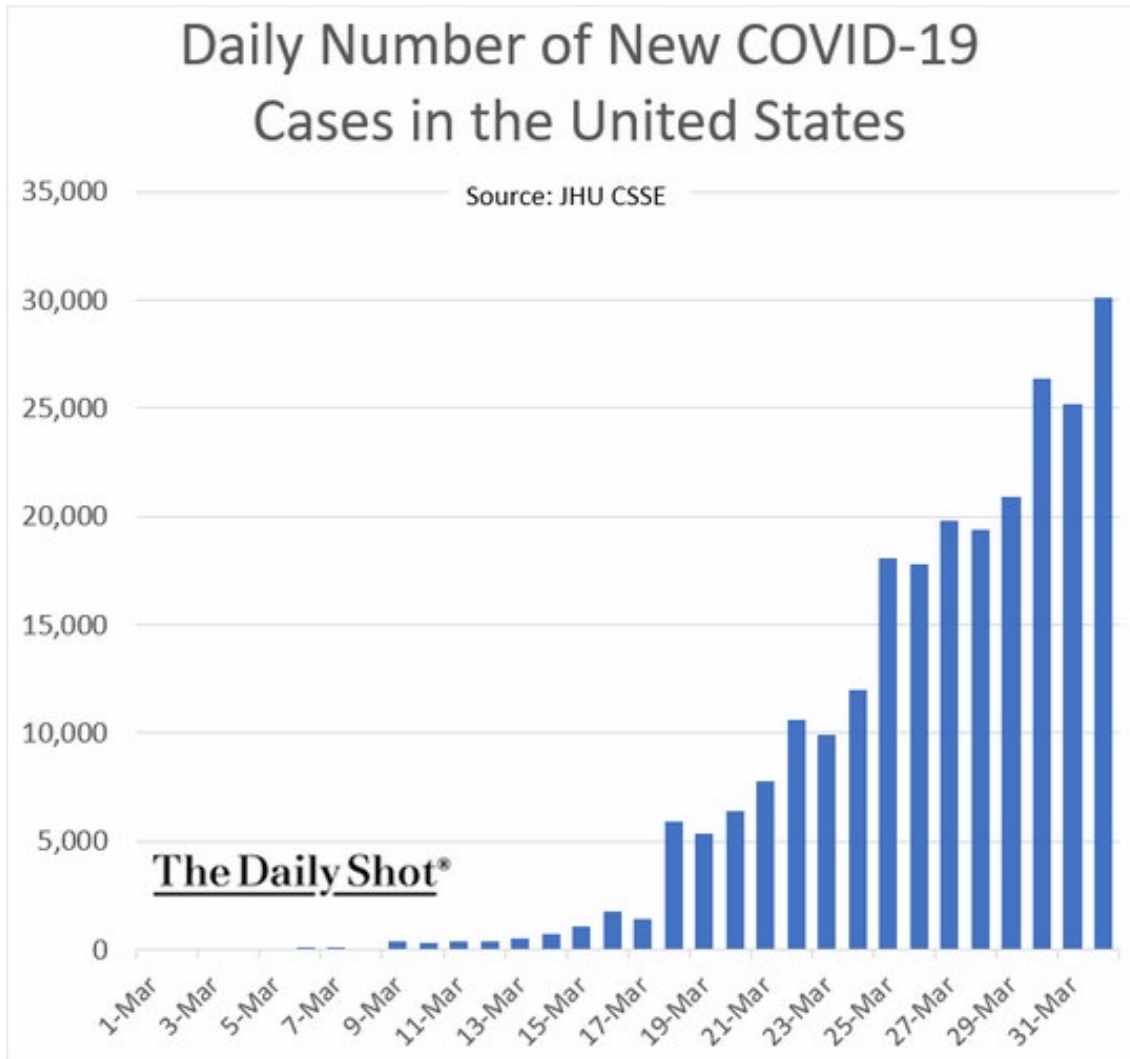
# Where can we track cases of COVID-19?



- ▶ [Johns Hopkins University website](#) provides an interactive world map of COVID-19 cases with options for sorting (be it by total cases, recoveries, or deaths)



# Coronavirus Cases Continue to Multiply



- ▶ The US has over 300,000 cases
- ▶ The US is reporting over 25,000 cases per day
- ▶ The US now has more cases than Spain and Italy (the next two largest hotspots) combined



# Known Unknowns Create Market Volatility (and Losses)

It is difficult to predict how the virus will fare over the next several months as there are multiple unknowns, such as:

How the virus responds to increased temperatures

Whether people who have survived the virus can contract it a second time

When a vaccine will be developed to protect against the virus



Remember that the current market distress is most directly related to the uncertainty surrounding COVID-19 (and not underlying economic weakness)

# VIX at Record High

- ▶ Volatility in U.S. stocks surged to a record after benchmark indexes suffered the biggest rout since 1987 (Bloomberg)
- ▶ The Cboe Volatility Index ended April 4 at 46.8
- ▶ The fear gauge has decreased 56% from its high of 82.69 on March 16
- ▶ This explains recent market gains. What goes down must come back

## CBOE Volatility Index (.VIX:Exchange)

Real Time Quote | Exchange | USD

Last | 04/03/2020

52 week range

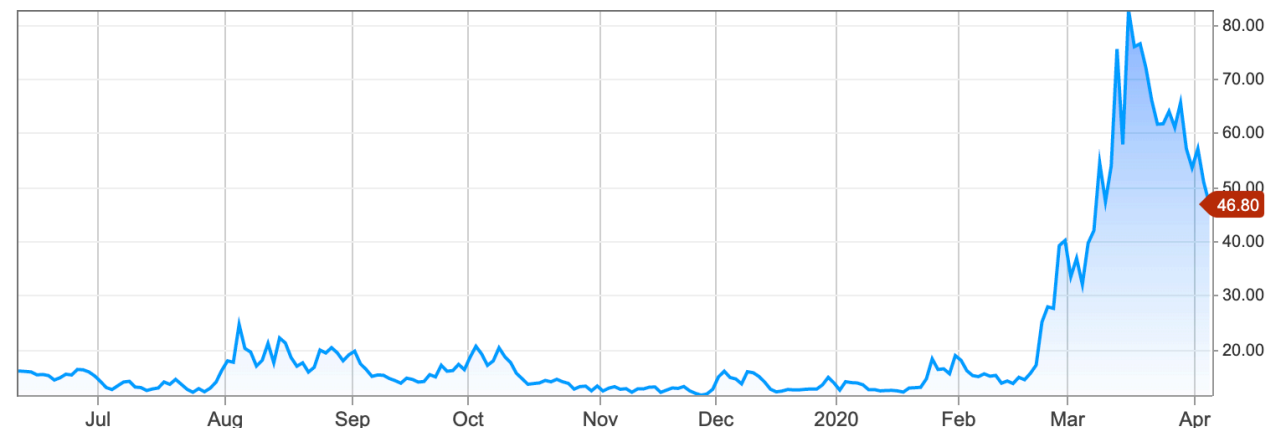
**46.80** **-4.11 (-8.07%)**

**11.03 - 85.47**

1D 5D 1M 3M 6M YTD **1Y** 5Y ALL

+ Comparison

1D ▾ Display ▾ Studies ▾



# Is the Market Recovering Too Quickly?

- ▶ Event-driven bear markets usually last 9 months, it is doubtful that this bear market will recover so quickly
- ▶ Unfortunately, event-driven bear markets can become structural bear markets if it causes financial issues
- ▶ The ECRI, which tracks jobless claims, mortgage applications, and high yield bond spreads, is negative

While COVID-19 fits nicely in into an event-driven bear market, persistent macro uncertainty can introduce structural risk

1	<b>Structural Bear Market</b> Average length: 42 months Average drawdown: -57%	<ul style="list-style-type: none"><li>• Definition: Triggered by structural imbalances and financial bubbles</li><li>• Status: Financial risk remains contained</li></ul>
2	<b>Cyclical Bear Market</b> Average length: 27 months Average drawdown: -31%	<ul style="list-style-type: none"><li>• Definition: Typically a function of rising rates, impending recession, and falling profits</li><li>• Status: Inflation remains contained and the Fed has accommodative posture</li></ul>
3	<b>Event-driven Bear Market</b> Average length: 9 months Average drawdown: -29%	<ul style="list-style-type: none"><li>• Definition: Triggered by a one-off shock that does not lead to a domestic recession</li><li>• Status: Vulnerable to trade and geopolitical events</li></ul>

Source: Goldman Sachs Global Investment Research and GSAM. As of March 9, 2020.



# S&P 500 Woes? The 200-Day moving average still looks bleak

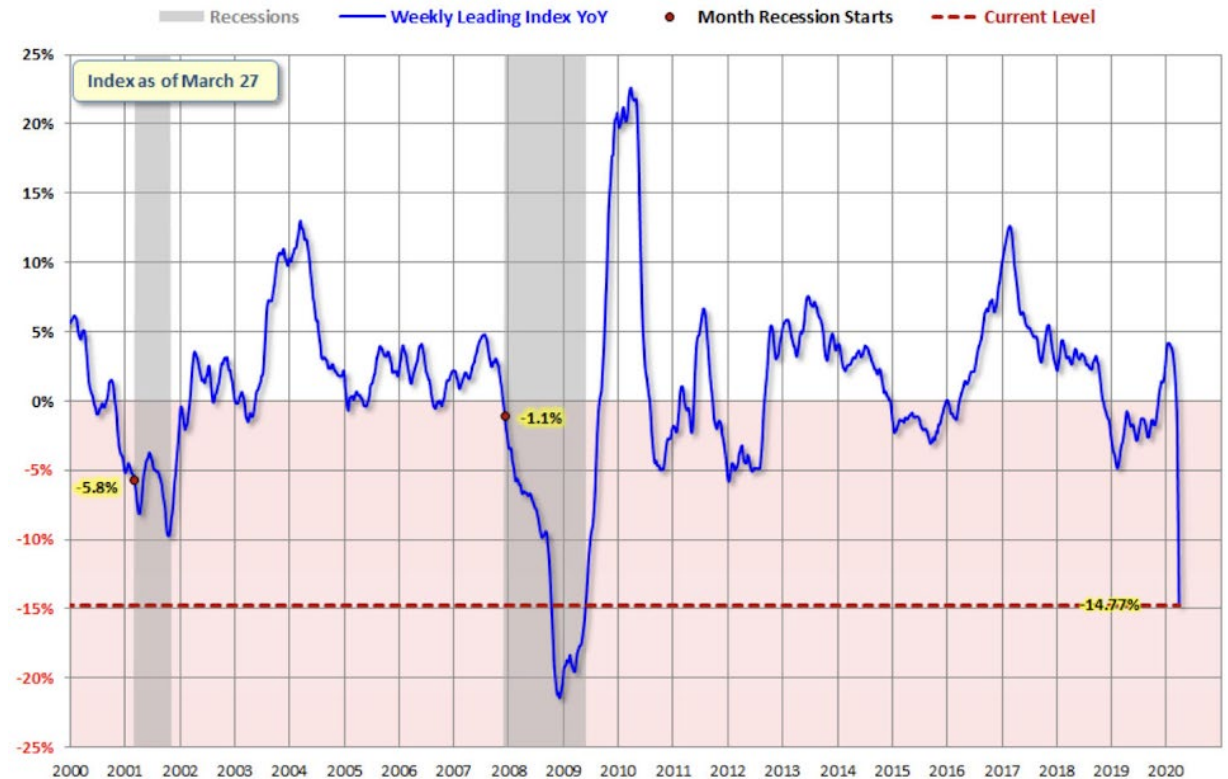
- ▶ Data from the S&P 500 indicates that the average stock is still not performing even close to its 200-day moving average
- ▶ The number of stocks trading above their 200 day moving average is close to zero, the lowest it has been since 2008
- ▶ Even though the DJIA has flirted with “exiting” the bear market, the market itself is still not healthy and the bear will likely continue



# The ECRI is Negative

- ▶ The ECRI tracks initial jobless claims, mortgage applications, and high yield bond spreads among other things and indicates turning points in the economy
- ▶ 6 of the 7 recessions since 1967 were preceded by the ECRI going negative
- ▶ The ECRI is at its lowest reading since 2008-2009

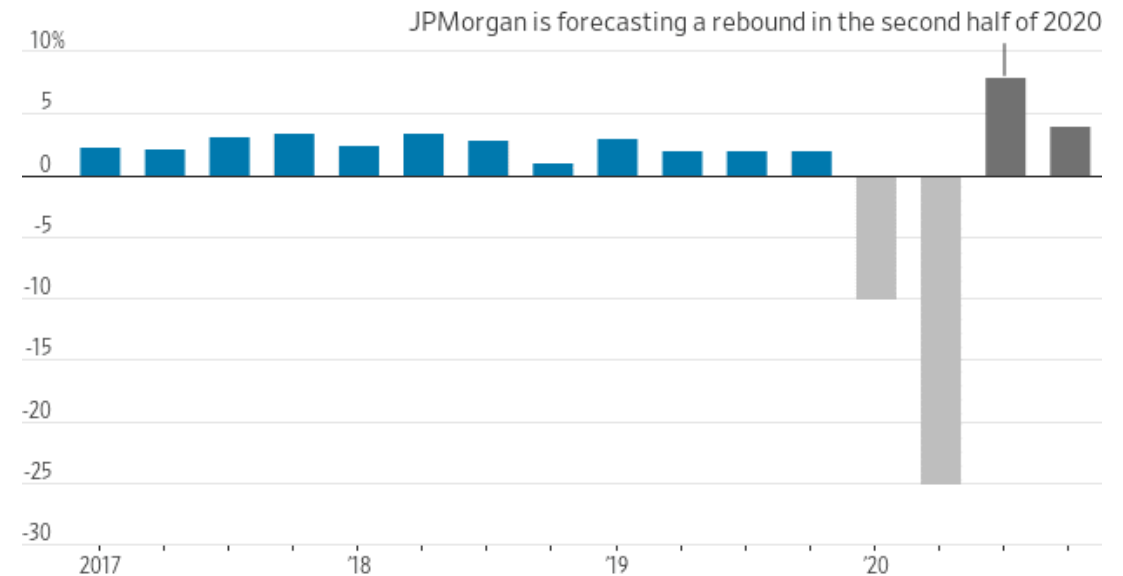
ECRI Weekly Leading Index  
Year-over-Year of the Four-Week Moving Average



# Data Predicts Positive Quarters for Q3 and Q4

- ▶ The data is showing that Q3 and Q4 would emerge as positive quarters
- ▶ Remember that January and February numbers were sound, along with the banking system
- ▶ Every crisis is different, and it is TBD
- ▶ We believe that a Q3/Q4 recovery is the base case, and all roads lead back to containment, treatment, and vaccination for the coronavirus
- ▶ The Bank of America forecasts three quarters of negative GDP growth in comparison to most banks' two, and predicts a -7% annualized shrinking in Q1, with -30% in Q2, and -1% in Q3.

U.S. gross domestic product, change from prior quarter



Note: Inflation and seasonally adjusted annual rate. 2020 figures are a JPMorgan Chase forecast.  
Sources: Commerce Department, JPMorgan Chase

# Bond Spreads are the Canary in the Coal Mine

- ▶ The corporate bond spread is typically a good indicator of how risky investors view the market
- ▶ Currently, the spread is around 960 basis points, which is higher than the usual 4% and much lower than the 21% of the financial crisis
- ▶ Continue to watch widening (or tightening) bond spreads for market signals



# Part 2: The Government Response





# 3 Major Moves to Aid Americans Affected By COVID-19

- ▶ **March 18, 2020:** Families First Coronavirus Relief Act (FFCRA)
- ▶ **March 20, 2020:** IRS Announces Notice 2020-18 Providing Tax Relief
- ▶ **March 27, 2020:** Coronavirus Aid, Relief, and Economic Security (CARES) Act



Why Do We  
Need It?

# Financial Stress Indicators Are Moving Upwards Towards 2008-2009 Highs

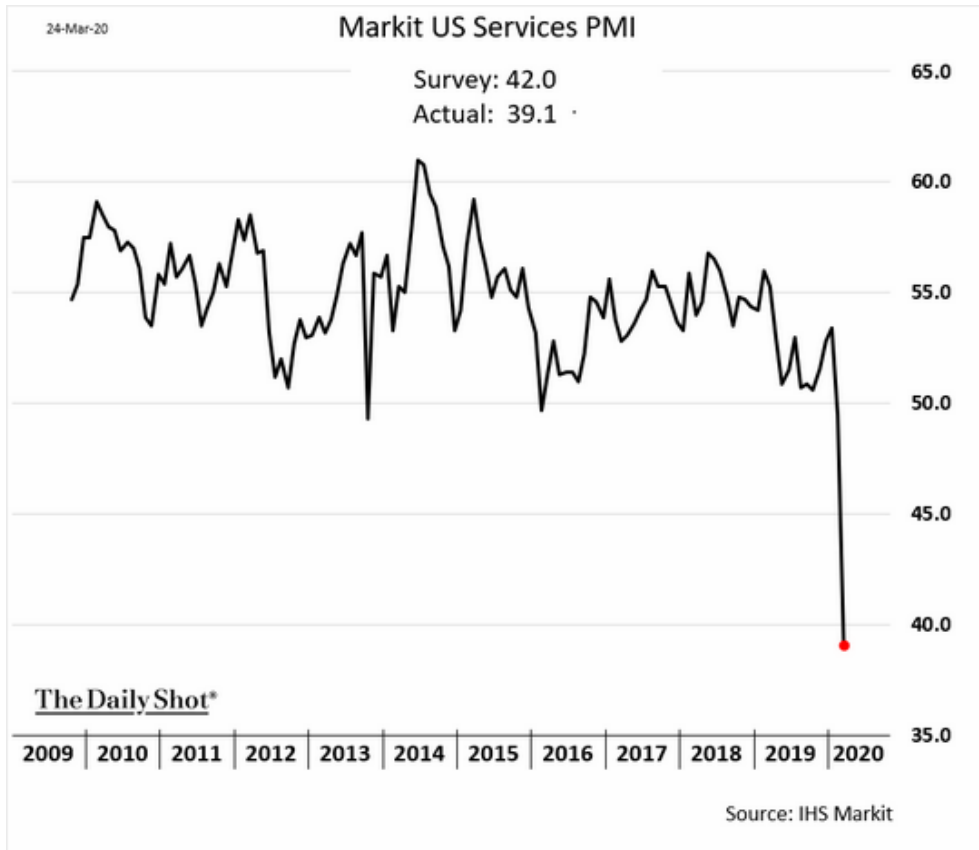


Source: Office of Financial Research (OFR)

- ▶ The chart shows that the Financial Stress Indicator (measured here by the OFR Index) is the highest it has been since the 2008 crisis
- ▶ The OFR Index peaked at 26.45 in 2008 and is currently 8.3, representing a significant increase from its norm of 4
- ▶ This is a good sign and is due to the Federal Reserve's quick and decisive action, the CARE Act, and the fact that so far this hasn't been a systematic crisis.



# COVID-19 Hurts Businesses

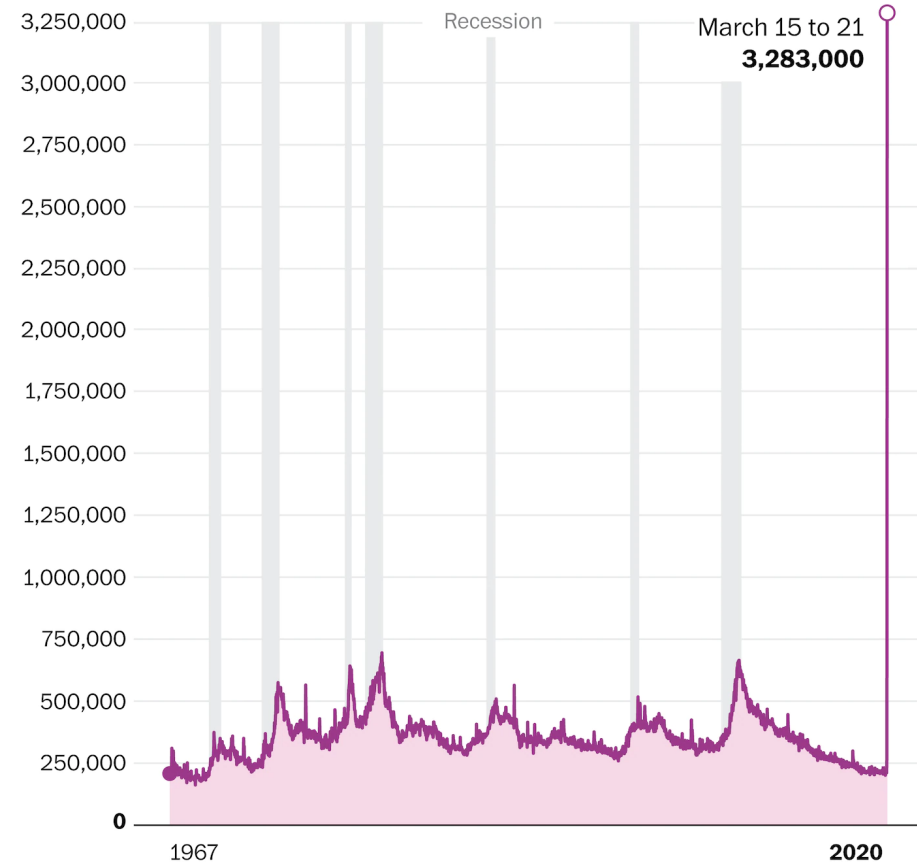


- ▶ COVID-19 has begun to affect virtually all businesses with hospitality being hit the hardest
- ▶ The Services PMI Index has dropped 15 points to 39.1 while the Manufacturing PMI index only dropped 4 points to 49.2
- ▶ 77% of the US GDP is service based

# Jobless Claims Reach a Record High

- ▶ The March 21 employment numbers were projected to be high and they did not disappoint
- ▶ 3.28 million Americans filed for unemployment
- ▶ Americans will continue to file for unemployment, placing strain on the economy

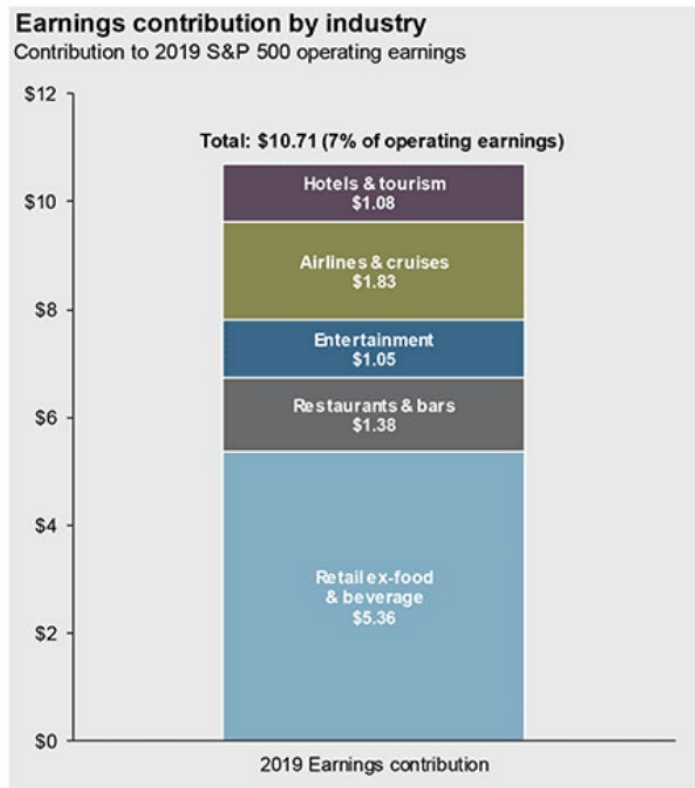
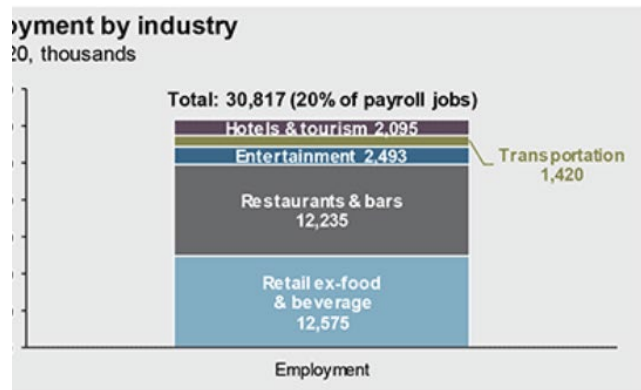
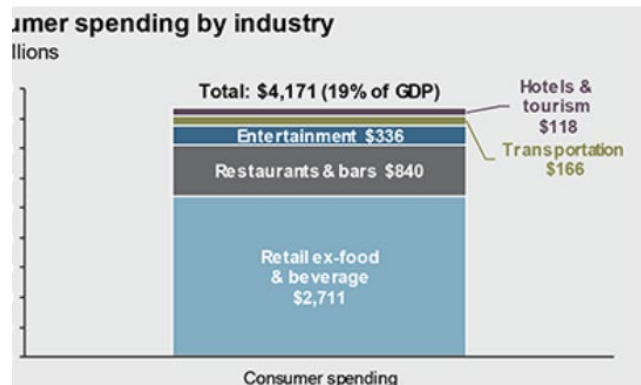
Weekly initial claims for unemployment insurance



Note: Seasonally adjusted  
Sources: Labor Department via FRED

THE WASHINGTON POST

# Who Gets Hit the Hardest?



- ▶ Foot traffic is down 99% in retail stores
- ▶ Restaurant traffic is down 60%
  - ▶ Restaurants make up \$840B of consumer spending and employ 12.35M people

Bureau of Economic Analysis, Bureau of Labor Statistics, Factset, S&P 500, J.P. Morgan Asset Management. Consumer spending (2019): membership clubs, sports, amusement parks, campgrounds, movies, theaters, museums, libraries, casino gambling, purchased meals and beverages, packaged tours, air and water transportation, hotels and motels, and select retail goods and services. Employment (January 2020): air transportation, transit and ground passenger transportation, support activities for air and water transportation, arts, entertainment, and recreation, accommodation, food services and drinking places, and retail ex-food and beverage stores. Earnings (2019 operating): hotels restaurants and bars; airlines; select entertainment and travel booking companies; multiline and specialty retail; and textiles apparel and luxury goods. *The Markets* – U.S. Data are as of March 31, 2020.

# How is the Government Putting Families First?

The Families First Coronavirus Relief Act (FFCRA)





# Some Thoughts About the Families First Coronavirus Relief Act (FFCRA)

- ▶ Remember that this legislation was passed in mid-March, two weeks before the CARES Act, when our understanding of the pandemic was very different
- ▶ Boosts unemployment benefits, with nearly \$1B in state grants
- ▶ Unemployment benefits and paid sick leave, while addressed in this Act, are largely expanded on under the CARES Act and will be discussed in that section
- ▶ Two refundable credits for the self employed



# Do You Benefit from Expanded Employee Paid Leave?

- ▶ These expanded provisions apply to most public and private employers with fewer than 500 employees
  - ▶ This does not amend or supersede Title II of the Family and Medical Leave Act
- ▶ Businesses with less than 50 employees may be exempt from requirements under certain conditions
- ▶ Any employee of a covered employer are eligible for 2 weeks paid sick leave
  - ▶ Those employed for at least 30 days eligible for paid family/medical leave
- ▶ New provisions applicable through December 31, 2020



# What Paid Leave Benefits are Newly Available To You?

- ▶ **2 Weeks paid sick leave at full regular rate**
  - ▶ If employee cannot work due to their own health condition
- ▶ **2 Weeks paid sick leave at two thirds regular rate**
  - ▶ If employee cannot work due to caregiving responsibilities and/or have lost access to childcare (including school)
- ▶ **Up to 10 weeks additional family/medical leave at two thirds regular rate**
  - ▶ For employees who cannot work due to lost access to childcare (including school)



# 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
  - ▶ Allocates a close to \$130 billion to the following
    - ▶ \$60 million to Department of Veterans Affairs to test veterans
    - ▶ \$64 million to the Indian Health Service to test members of Native American tribes
    - ▶ \$1 billion to National Disaster Medical System to test those without health insurance
- ▶ 6.2% increase in Medicaid payments to states on a temporary basis





# Putting Meals on the Table Without Fear

- ▶ The FFRCA provides \$1 billion for 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 program (available through September 30, 2021)
  - ▶ Households may be eligible if a child's school has been closed for 5 consecutive days
  - ▶ Expands the Supplemental Nutrition Assistance Program qualifications and suspends work requirements
- ▶ \$100 million committed to nutritional assistance programs for U.S. territories (N. Mariana Islands, Puerto Rico, American Samoa)

A field of tulips with one red tulip in focus. The background is a soft-focus field of green tulip buds. The foreground shows several green tulip buds on stems. The overall scene is a lush, green field of tulips.

# What's Different This Tax Season?

## IRS's Notice to Extend Filing



# Notice 2020-18 Provides Relief

- ▶ The IRS enacted Notice 2020-18 to extend the filing and payment deadline from April 15 to July 15
- ▶ This deadline applies to all tax paying entities who have a tax return or payment due on **April 15, 2020**.
  - ▶ Individuals
  - ▶ Businesses
  - ▶ Trusts
  - ▶ Estates
  - ▶ Partnerships
  - ▶ Associations
  - ▶ Company or Corporations



# Some Details to be Aware of

- ▶ This extension applies to BOTH the filing AND the payment deadlines
- ▶ The extension is for 2019 Tax Return and first quarter estimated income tax payments for 2020 due April 15, 2020
- ▶ Note that second quarter 2020 estimated taxes are still due on June 15 (therefore, second quarter estimated tax payments are due before first quarter)
- ▶ There is no limit to the amount of taxes owed that can be postponed
- ▶ IRAs and HSAs deadlines also extended until July 15
- ▶ Social Security recipients don't need to file tax returns



# Some Details to be Aware of

- ▶ The extension does not apply to payments and/or returns due on a day other than April 15
  - ▶ Any payments/filings due between April 15 and July 15 will be due on their original date, not July 15
- ▶ Calculations of interest or penalties as a result of failing to file will disregard the 3-month period between April 15 and July 15
  - ▶ Accrual tax filing and payments will begin July 16, 2020
- ▶ Notice 2020-20: Extended due date for filing and paying United States Gift and Generation-Skipping Transfer Tax Return to the same as outlined in Notice 2020-18
- ▶ Visit [irs.gov/coronavirus](https://www.irs.gov/coronavirus) for the most up to date information from the IRS.



# Decoding the CARES Act

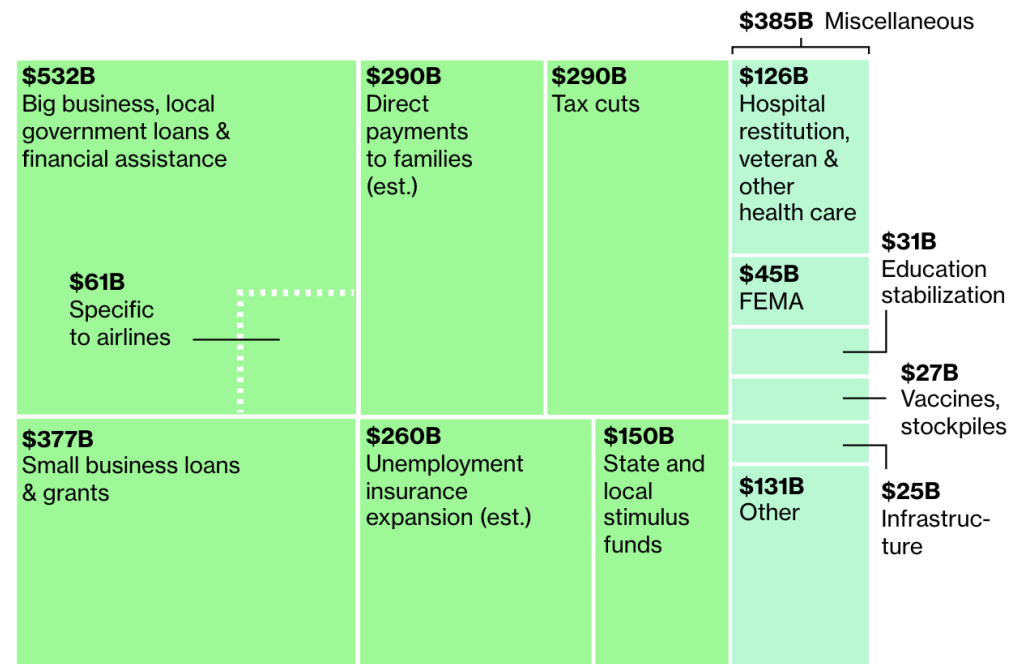
The Coronavirus Aid, Relief, and Economic Security Act



# A Look Inside the \$2 Trillion Aid Package

- ▶ \$500B in company loans
- ▶ \$350B in small business aid provided they retain their workers
- ▶ \$600/week unemployment for up to four months
- ▶ \$198B in funds to tackle the virus
- ▶ Individuals are eligible for up to \$1,200 with \$500 per child

Where \$2 Trillion in U.S. Rescue Funds Will Go



Source: U.S. Senate, Committee for a Responsible Federal Budget, Bloomberg research



# How Can the CARES Act Help Me?



# 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

## Example

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

<b>\$2,400</b>	STANDARD CASH PAYOUT
\$180,000	ADJUSTED GROSS INCOME
<u>- \$150,000</u>	AGI THRESHOLD
<u>\$30,000</u>	REDUCTION INCREMENT $/100 \times 5 = \$1,500$
→ <b>\$2,400</b>	
<u>- \$1500</u>	REDUCTION ←
<u><u>\$900</u></u>	PAYOUT



# Boost to Unemployment Benefits

## Families First

- ▶ Supplies an extra \$1 billion to unemployment compensation systems
- ▶ States will be reimbursed for “first week payments” by the federal government

## CARES Act

- ▶ \$250 billion dollars to increase unemployment benefits
- ▶ An additional 13 weeks of unemployment benefits
- ▶ Creation of a temporary Pandemic Unemployment Assistance program for those who do not typically qualify for unemployment
- ▶ Unemployment checks will be increased by \$600 per week for four months through July as well as an additional 13 weeks



# Who is Newly Eligible for Unemployment ?

- ▶ The CARES Act expands eligibility for unemployment so those affected by COVID-19 can claim. This includes if:
- ▶ If you qualified before, you would still qualify under new eligibility rules
- ▶ If you can do your job remotely, you will not qualify for unemployment
- ▶ 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



# CARES At Unemployment in NJ - Example

## Example: New Jersey

### Current Unemployment Benefits

- ▶ Max payment - **\$713/week**
- ▶ Max period to receive benefits - **26 weeks** (about 6 ½ months)
- ▶ Total amount benefits received - **\$18,538**

### Under the CARES Act

- ▶ + \$600/week → Max payment - **\$1,313/week**
  - ▶ Extra \$600 only through July 2020
- ▶ + 13 weeks → Max benefit period - **39 weeks** (almost 10 months)
  - ▶ Payment during 13-week extension will \$600/week
- ▶ Total possible benefits received - **\$37,138**
  
- ▶ **Max Total Additional Benefits of \$18,600**



# There's a Multitude of Options For Debt Relief

- ▶ Many credit card companies are offering forgiveness and many mortgage companies are foregoing interest
- ▶ The FHA has imposed a 60 day foreclosure and eviction moratorium for single family homeowners with FHA insured mortgages
- ▶ Fannie Mae and Freddie Mac are suspending foreclosures and evictions for at least 60 days as of March 18. Research whether this applies to you



# A Breather on Student Loans

- ▶ Student Loan relief applies only to federal student loans owned by the Department of Education (NOT private loans)

## Relief Provisions

- ▶ **Interest Waiver:** eligible loans will carry a 0% interest rate beginning March 13, 2020 for 60 days
  - ▶ This will not change payment amounts - entire payment amount will pay down outstanding principal (assuming no accrued interest =, which would be paid down first)
- ▶ **Payment Suspension: OPTIONAL** - borrowers can elect to suspend payments starting March 13, 2020 for 60 days
  - ▶ Borrowers must contact lender to suspend payments
  - ▶ Borrowers will have payments automatically suspended when they become 31 days or more behind on payments



# A Breather on Student Loans

- ▶ 60-day period may be extended by the Department of Education depending on how the coronavirus situation develops
- ▶ 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.
  - ▶ Student loan forgiveness is available (1-800-4-FED AID)



# Know Your Options When Seeking Debt Relief

**Between stimulus benefits and private efforts there is plenty going on, so be sure to research and understand your options and avoid late payments or defaults when the solution could be a phone call away.**





# Giving Money To Charity Can Help You

- ▶ There is now a \$300 above-the-line deduction of cash contributions to churches and other charitable organizations for 2020 (can't be claimed if you itemize)
- ▶ Individuals now have 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



# Take an RMD Holiday in 2020

- ▶ **20% of people do not need their RMDs to live off. This may be you!**
- ▶ If your RMDs are not part of a defined benefit plan, you can skip them for 2020
  - ▶ Why would you want to draw RMDs calculated on December 2019 values from accounts that are down 30%?
- ▶ This applies to inherited and beneficiary IRAs

# If You've Already Taken Your RMD...

- ▶ If you've already taken your distribution, you can put the RMD back into an IRA in an indirect rollover assuming...
  - ▶ You took the distribution within the past 60 days
  - ▶ You haven't completed an indirect rollover in the past year and don't intend to for next year
- ▶ What if the 60 day period has expired? We need additional guidance, but possibly, due to the CARES Act, a penalty free rollover may be completed if...
  - ▶ You do it within 3 years of the date the RMD was received
  - ▶ You satisfy the liberal requirements for a "Coronavirus related distribution"



# Penalty Free Withdrawals from Qualified Retirement Plans and IRAs

- ▶ The CARES Act provides tax relief for retirement plan and IRA “coronavirus related distributions” up to \$100,000 taken by individuals on or after January 1, 2020 and before December 31, 2020
- ▶ 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, which may be beneficial to some)
- ▶ The Act...
  - ▶ Permits in-service distributions, provides an exception to the 10% early distribution penalty
  - ▶ Exempts the distribution from the mandatory 20% withholding applicable to eligible rollover distributions



# Paying Back the Penalty Free Withdrawal and Taxation

- ▶ Allows the individual to include income attributable to the distribution over a three year period and allows for the recontribution of the distribution to a plan or IRA within three years (and taxes already paid can get refunded)
- ▶ Distributions may also be re-contributed within three years of withdrawal at which point 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.

It is essentially a three year interest free loan.



# Qualified Plan Loan Provisions are Also Liberalized

- ▶ The CARES Act liberalizes qualified plan loan provisions.
- ▶ 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.



# How Can the CARES Act Help My Small Business?



# Your Business Can Get a Low Interest and Possibly Forgivable Loan

- ▶ The CARES Act created the Paycheck Protection Program which provides \$349B in 100% federally guaranteed loans
  - ▶ The loans are designed to ensure continued employment of employees
  - ▶ The loan is for payroll related costs for the previous year, 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
- ▶ Treasury Secretary Mnuchin has said that the loans should be able to cover about 50% of the private workforce



# How much can I **BORROW?**

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

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



- ▶ Inclusion - the sum of payments of any compensation with respect to employees that is a:
  - ▶ Salary, wage, commission, or similar compensation;
  - ▶ Payment of cash tip or equivalent;
  - ▶ Payment for vacation, parental, family, medical, or sick leave;
  - ▶ Allowance for dismissal or separation;
  - ▶ Payment required for the provisions of group health care benefits, including insurance premiums;
  - ▶ Payment of any retirement benefit;
  - ▶ Payment of state or local tax assessed on the compensation of the employee;

- ▶ Excluded
  - ▶ Compensation of an individual employee in excess of an annual salary of \$100,000, as prorated for the period February 15, to June 30, 2020
  - ▶ Payroll taxes, railroad retirement taxes, and income taxes
  - ▶ Any compensation of an employee whose principal place of residence is outside of the United States
  - ▶ Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (Public Law 116-5 127); or qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act

# Business Loan Forgiveness

Reduction based on reduction of number of employees



**PAYROLL COST**  
Calculated on page 2

**X**

Average Number of Full-Time Equivalent Employees (FTEs) Per Month for the 8-Weeks Beginning on Loan Origination

**÷**

**Option 1:**

Average number of FTEs per month from February 15, 2019 to June 30, 2019

**Option 2:**

Average number of FTEs per month from January 1, 2020 to February 29, 2020

**For Seasonal Employers:**

Average number of FTEs per month from February 15, 2019 to June 30, 2019

Reduction based on reduction in salaries



**PAYROLL COST**  
Calculated on page 2

**-**

For any employee who did not earn during any pay period in 2019 wages at an annualized rate more than \$100,000, the amount of any reduction in wages that is greater than 25% compared to their most recent full quarter.



# The Fine Print of the Loan

- ▶ The SBA has no recourse against any borrower for nonpayment of the loan unless the funds were used for a non-allowable purpose
- ▶ The loan cannot duplicate payments already covered by the Families First Coronavirus Response Act
- ▶ The Fine Print:
  - ▶ Paycheck Protection Program (PPP) loans will have a 2-year term and interest rate of 1%
  - ▶ 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



# The Two Types of Payroll Tax Reliefs and How You Can Use Them



# Payroll Tax Credit

- ▶ The CARES Act creates 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, 2020 through December 31, 2020



# Payroll Tax Deferral

- ▶ With the exception of employers who have debt forgiven by the CARES Act for certain loans provided by the SBA, employers are also eligible to defer payroll taxes (6.2% of Social Security tax on employee wages) from the date of enactment through the end of the year until the end of 2021 and 2022.
- ▶ To expand, 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
- ▶ As a financial advisor, your business may qualify as payroll tax relief is available to small business owners



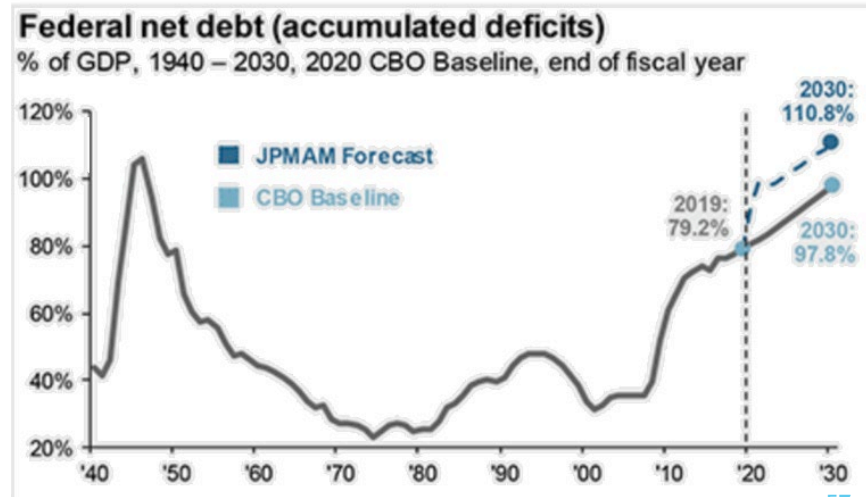
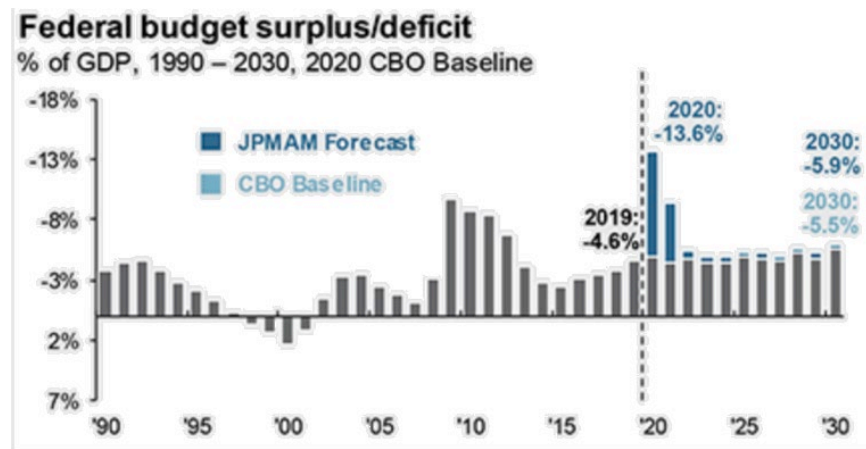
# Don't Forget Sick and Family Leave Tax Credits for the Self Employed

- ▶ While the self employed don't get the same sick and family leave benefits available to employees, the Families First Coronavirus Response Act provides self employed people with two refundable credits tied to the amount of time they can't work because of the coronavirus
- ▶ The sick leave credit compensates self employed people for up to 10 days away from their business for coronavirus related reasons.
- ▶ Family leave covers up to 50 days away from work for any reason that would qualify an employee for coronavirus family leave
- ▶ **There are limits on these credits based on self employment income, but be aware of your options**



# Could the CARES Act Do More Harm Than Good?

- ▶ The CARES Act will raise the federal debt to \$25 Trillion
- ▶ US debt will likely exceed 90% of its GDP. Economists are split on whether this will cause economic slowdown or whether there will be no significant effects
- ▶ Low interest rates have enabled the US to “skate by” so far, but if interest rates or inflation occurs, the US may be unable to pay back its debt and taxes will likely rise





# That Was a Lot, Let's Review



# 13 Ways the Stimulus Packages Can Help You

1. Free Coronavirus Testing
2. Nutritional Assistance
3. Extension to File and Pay Taxes
4. Stimulus Checks
5. Tax Breaks for Charitable Contributions
6. RMD Suspensions
7. Mortgage Payment, Foreclosure, and Eviction Relief
8. Student Loan Payment Suspension
9. Penalty Free Withdrawal from Retirement Plans
10. Expanded Unemployment Benefits
11. Low Interest Loans for Small Businesses
12. Payroll Tax Credit and Deferment
13. Paid Sick and Family Leave



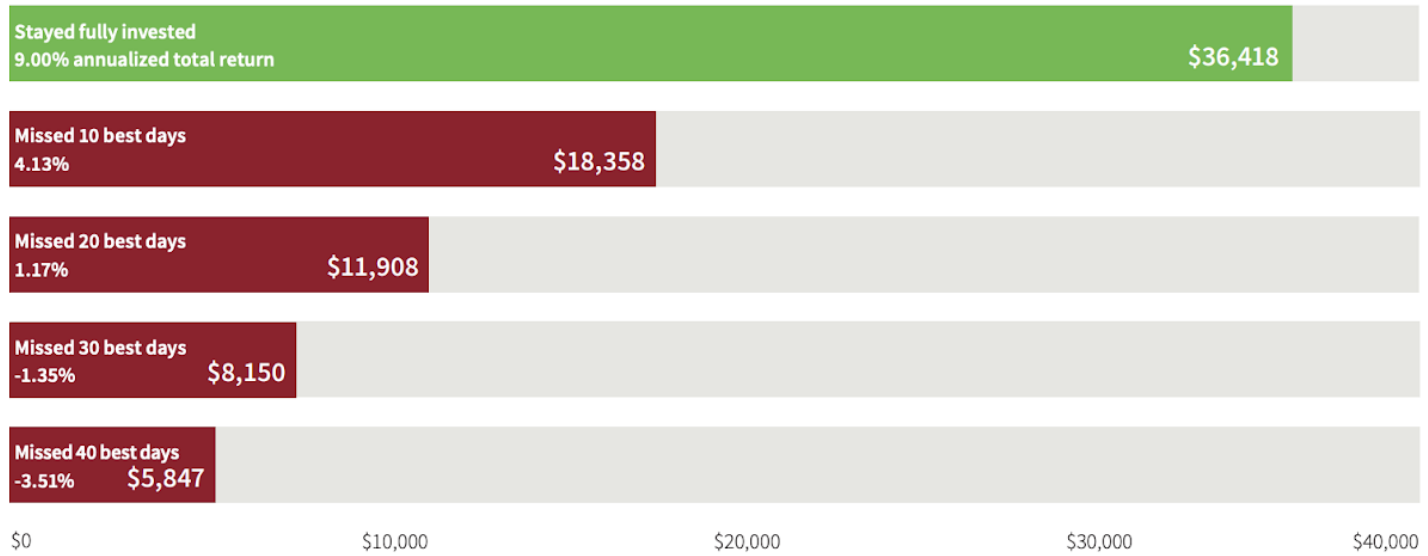
# Part 3: There is a path forward



# Buy Low and Sell High

- ▶ The common investment mantra to “buy low and sell high” gets much more complicated when emotions and timing issues come into play
- ▶ By attempting to time the market (by selling after a potential 30% loss), you can miss out on the market’s best days which account for much of the market’s gains

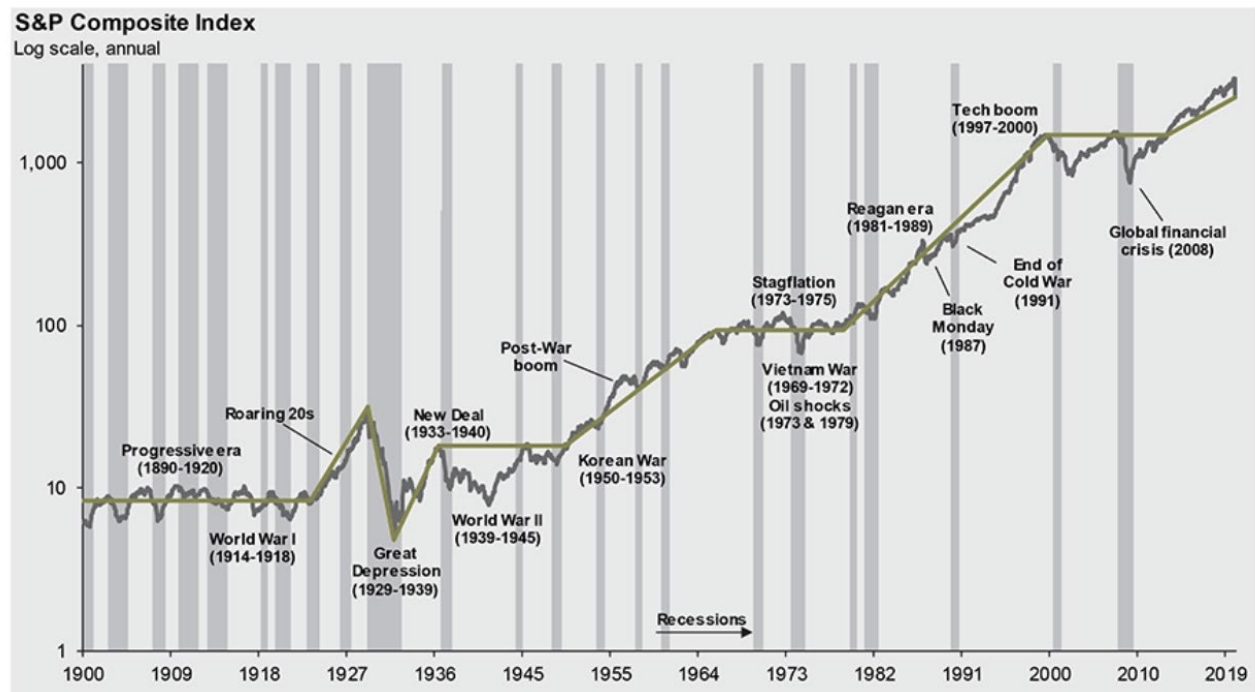
\$10,000 invested in the S&P 500 (12/31/04–12/31/19)



By staying fully invested over the past 15 years, you would have earned \$18,060 more than someone who missed the market’s 10 best days.

Data is historical. Past performance is not a guarantee of future results. The best time to invest assumes shares are bought when market prices are low.

# The Market Will Rise

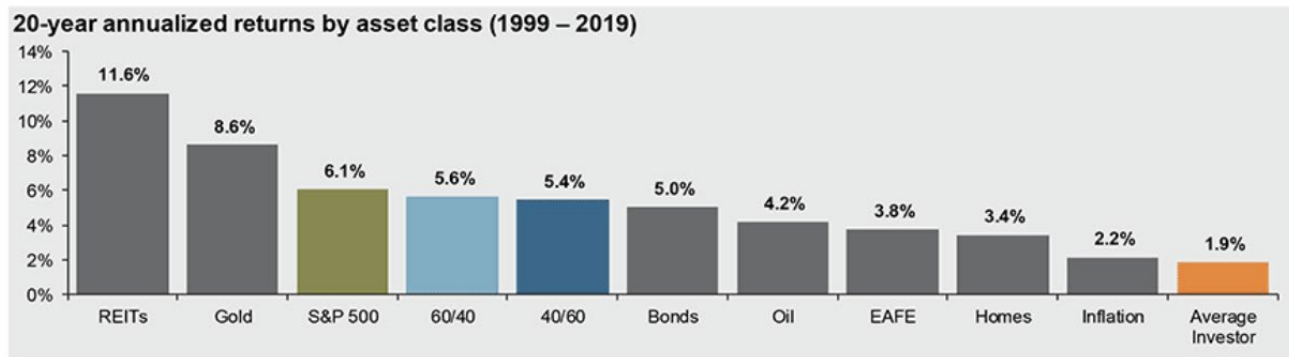
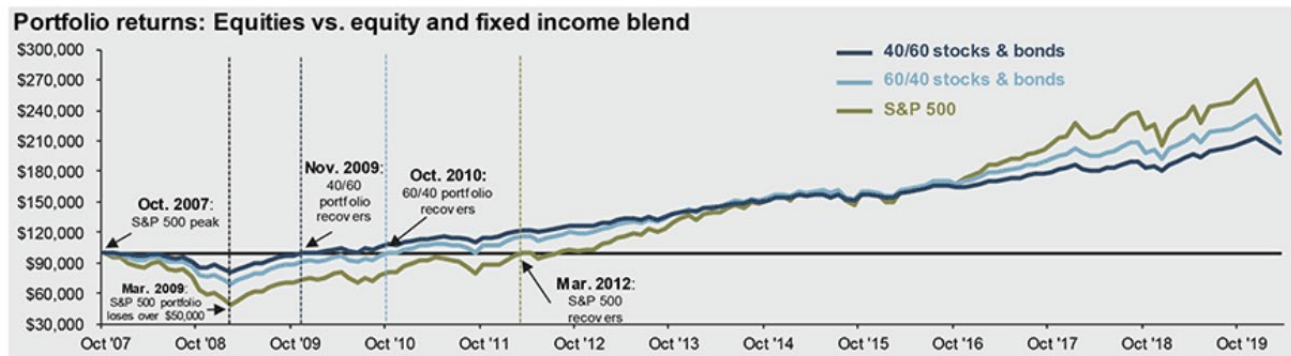


Source: FactSet, NBER, Robert Shiller, J.P. Morgan Asset Management.  
Data shown in log scale to best illustrate long-term index patterns. Past performance is not indicative of future returns. Chart is for illustrative purposes only.  
Guide to the Markets – U.S. Data are as of March 31, 2020.

**J.P.Morgan**  
Asset Management

- ▶ If you sell out of the market now, you will lock in your losses. You need to stay in the market, not out of it, in order to reap the benefits
- ▶ The time to de-risk was 6 months ago, not now
- ▶ The market trends upwards in the long run

# Don't Try to Time the Market



Source: J.P. Morgan Asset Management; (Top) Barclays, Bloomberg, FactSet, Standard & Poor's; (Bottom) Dalbar Inc. Indices used are as follows: REITs: NAREIT Equity REIT Index, EAFE: MSCI EAFE, Oil: WTI Index, Bonds: Bloomberg Barclays U.S. Aggregate Index, Homes: median sale price of existing single-family homes, Gold: USD/roy oz., Inflation: CPI, 60/40: A balanced portfolio with 60% invested in S&P 500 Index and 40% invested in high-quality U.S. fixed income, represented by the Bloomberg Barclays U.S. Aggregate Index. The portfolio is rebalanced annually. Average asset allocation investor return is based on an analysis by Dalbar Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Returns are annualized (and total return where applicable) and represent the 20-year period ending 12/31/19 except the average investor which is through 12/31/18 and is based on Dalbar's most recent analysis. *Guide to the Markets – U.S.* Data are as of March 31, 2020.

**J.P.Morgan**  
Asset Management

- ▶ Over a twenty year period investors who try to time the market will lose to inflation
- ▶ Investors who stayed fully invested in the S&P 500 or in bonds beat inflation by as much as 3.9%



# Market Rebounds After Previous Epidemics

EPIDEMIC	MONTH END	6-MONTH % CHANGE OF S&P	12-MONTH % CHANGE OF S&P
HIV/AIDS	June 1981	-0.3	-16.5
Pneumonic plague	September 1994	8.2	26.3
SARS	April 2003	14.59	20.76
Avian flu	June 2006	11.66	18.36
Dengue Fever	September 2006	6.36	14.29
Swine flu	April 2009	18.72	35.96
Cholera	November 2010	13.95	5.63
MERS	May 2013	10.74	17.96
Ebola	March 2014	5.34	10.44
Measles/Rubeola	December 2014	0.20	-0.73
Zika	January 2016	12.03	17.45
Measles/Rubeola	June 2019	9.82%	N/A

—Source: Dow Jones Market Data

- ▶ The table demonstrates that despite any poor performance that initially occurred following outbreaks, stocks managed to experience gains within one year
- ▶ We are in a full-fledged bear market, which typically take about 2 years to recover from



# Markets Will Rebound

Immune: world epidemics and global stock market performance



The MSCI World Index captures large and mid cap representation across 23 Developed Markets countries. With 1,646 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. **Past performance is no guarantee of future results.**

- ▶ The market typically rebounds from epidemics quite quickly
- ▶ Remember that the underlying fundamentals were strong to begin with
- ▶ Again, it is TBD how the markets and the economy will react to this particular threat



The current driving fear of the market is the unknown

It is too soon to say if this is the 2008-2009 financial crisis

Try not to get caught up in the immediate, and think long term instead

Try to Think Long Term and Stick with the Plan



# How can we prepare for COVID-19?

- ▶ Create a [household plan of action](#) in case of illness in the household or disruption of daily activities due to COVID-19 in the community
  - ▶ Consider 30-days supply of prescription and over the counter medications, food and other essentials. Know how to get food delivered if possible.
  - ▶ Establish ways to communicate with others
  - ▶ Establish plans to telework, what to do about childcare needs, how to adapt to cancellation of events
- ▶ Visit the [CDC website](#) to learn more on how to prepare for COVID-19
- ▶ Take care of yourself and your family

Feel free to contact us! We are here to help you determine your best path forward 😊



# THANK YOU!

It is a privilege to serve you.

## Questions?

# Disclosures

- ▶ *This webinar is not intended to provide specific legal, tax, or other professional advice. For a comprehensive review of your personal situation, always consult with a tax or legal advisor.*
- ▶ *“The S&P 500 is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.”*
- ▶ *“The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.”*
- ▶ *“The CBOE Volatility Index (VIX) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.”*