



Qtr Notes

Volume 28 No. 2

Our clients are passengers on an airplane, and we, their advisors, are the pilots. There is rough weather ahead, so we announce on the PA system for everyone to be prepared for turbulence. Stay seated, buckle up, clear your tray tables, and we'll get through it. Just because it will be bumpy, doesn't mean you jump out of the plane. That's how you get to your destination.

Lori Calvasina,
RBC Capital Markets

A special security note regarding Zoom:

Security concerns have been raised over the Zoom videoconferencing platform, which has become a popular solution for meetings and socializing during lockdown. Meetings are not necessarily secure or private, and an unwanted intruder can record exchanges and take screenshots.

Zoom has issued guidelines for keeping meetings secure, which can be found at zoom.us/security.

Meetings can and should be password-protected and restricted to authorized attendees. It is wise to assume that anything you say or show on your screen might potentially be accessed by unauthorized and hostile individuals.

The CARES Act: Opportunities To Consider

In the midst of the current crisis, facing health, economic, and political uncertainties as well as a difficult investment environment, it is important for us to evaluate what we can act on and what we cannot effectively control. Here at Firestone, we have been reviewing the rapidly changing landscape and are available to help you with your questions and financial planning strategies.

Congress has passed the bipartisan Coronavirus Aid, Relief, and Economic Security (CARES) Act, a \$2 trillion emergency fiscal stimulus package designed to ease the economic damage caused by the COVID-19 global pandemic. In addition to the provisions of the CARES Act, other tax code and labor law changes have given us unique planning opportunities to consider.

Tax filing and payment extension: If you haven't filed your 2019 taxes yet, you still have some time. The federal income tax filing due date has been extended from April 15 to July 15. All taxpayers can also defer federal income tax payments without penalties or interest, regardless of the amount owed, until July 15th.

This deadline change is automatic; you do not need to file for the extension. State income tax deadlines have also been extended.

IRA contribution extension: The deadline to make 2019 IRA and Roth IRA contributions has also been extended from April 15 to July 15. The extended deadline also applies to Health Savings Accounts and Coverdell Education Savings Accounts (ESA).

RMDs waived for 2020: Required Minimum Distributions on all retirement plans are waived in 2020. The suspension applies to regular and inherited IRA accounts, as well as 401(k) and other qualified retirement plans. Consider foregoing your 2020 distribution unless you need the money and depend on your RMD for cash flow. If you have already taken all or part of

Index	3/31/2020	YTD
Dow Industrials	21,917.16	-23.2%
S&P 500	2,584.59	-20.0%
S&P Small-Cap	684.84	-32.9%
MSCI EAFE	1,559.59	-23.4%
Bloomberg US Bond	2,295.05	3.2%
US Treas 10-yr yld	0.68%	

your 2020 RMD, you may be able to roll the funds back into your IRA account.

Elimination of 10% penalty on early retirement account distributions: Individuals under age 59½ may access retirement funds up to \$100,000 in 2020 without paying the normal 10% early distribution penalty. Taxes will still be due, but can be spread over three years. This strategy should likely be used only as a last resort.

Roth conversions in 2020: Although a detailed tax analysis would be necessary, it may be a good time to consider a full or partial Roth IRA conversion. When an IRA is converted to a Roth IRA, income taxes are owed on the amount of the conversion. Converting when account values have temporarily declined reduces the tax bill, and allows the assets to grow tax-free while the market recovers. Roth IRAs also have no RMDs, which could reduce your tax bill in the future when tax rates could be higher. Roth IRA conversions cannot be undone, so it is important to analyze the pros and cons for each client individually.

Mortgage relief: Homeowners with federally backed mortgages are protected from foreclosure for 60 days, from March 18 to May 17, 2020. In addition, you can request a forbearance for up to 180 days, with another 180-day extension if necessary. This doesn't eliminate the payments due, but it allows you to pause or reduce payments for a limited time. You must contact your loan servicer directly to request forbearance. Eligibility and terms will vary.

(cont'd next page)

Safety in Numbers: Poisoned Clickbait

Coronavirus has brought out the best and worst in us. Caregivers are risking their lives every day and acts of compassion can be seen on all sides. And then there are those whose response to every disaster is to try to cheat the victims.

Cybercriminals are masters of social engineering, and nothing suits them better than a global disaster. Reports of fraud, phishing, and malware surged even ahead of the global case totals. Emails targeting the mounting anxiety and fear are peppering inboxes every day.

There's a bogus app that claims to track cases, but instead plants spyware on your device. There are emails informing the recipient that they've been exposed to COVID, and must immediately download an attachment (malicious, of course) for medical assistance. With millions of people moving to remote work, another cadre of hackers are looking for back doors into home-based machines. There are thousands of variations on the basic theme, all aimed at your fears: panic! click this link! download this file! install this software!

To keep yourself AND your computer free of infection, wash your hands, stay at home, and don't click on unknown links. And if you're videoconferencing, remember to turn off the camera when you're done.

The CARES Act

(cont'd from page 1)

Aid to Small Businesses: The CARES Act allocated \$350 billion for two loan programs to aid small businesses affected by COVID-19. The Paycheck Protection Program offers loans to certain small businesses (up to 500 employees). The loans, equal to 2.5 times the average monthly payroll up to \$10 million, will be eligible for forgiveness if used to cover payroll and other operating expenses, like rent and utility costs.

The Act also expanded eligibility for the Small Business Administration (SBA) Economic Injury Disaster Loans, which can be applied for directly with the SBA. In addition to the low-interest loans, which can be for a maximum of \$2 million, \$10,000 emergency cash grants are also available. The \$10,000 grant can be received in as little as three days, and does not need to be repaid if spent on paid leave, maintaining payroll, and increased costs. Applications and requirements can be found on the US Treasury and SBA websites.

Social Security Income strategies: The right age to begin taking Social Security benefits is unique to every client, but now may be a good time to consider starting, if you need retirement income and have been deferring claiming benefits beyond your Full Retirement Age (FRA). It is important to note that starting benefits early will result in lifetime reduced benefits. However, this strategy could prevent depleting already depressed retirement portfolios.

Estate planning: The current health crisis has led many clients to raise questions and concerns regarding their estate planning. It is important to make sure your estate planning documents are current and reflect your wishes. Finalize decisions regarding end-of-life medical care, who can make decisions on your behalf, and how property is distributed after a death.

Investment opportunities: We have touched on a few strategies in our earlier communications this year, but they bear repeating. To the extent you still have cash sitting on the sidelines available for long-term growth, it is still a good time to get this money invested. We can rebalance to ensure that portfolios have their target equity allocations when the market recovers. We will be evaluating opportunities for tax-loss harvesting now and throughout the remainder of the year.

Lastly, if you can, accelerate savings and front-load your 2020 contributions to 401(k), IRA, Roth IRA, SEP-IRA, and 529 education accounts.

Paid sick leave and unemployment: Even prior to the CARES Act, the Families First Coronavirus Response Act was passed on March 19, 2020. This law provides for mandatory paid sick leave, family leave, and medical leave for employees of small businesses (under 500 employees). Employers, including the self-employed, will be reimbursed for the costs in the form of tax credits.

The Families First Act also funds enhanced and increased state unemployment benefits to assist those whose jobs have been lost or hours reduced because of the pandemic. Waiting periods are waived, and job search requirements are suspended for those affected by quarantine restrictions. Workers whose hours have been cut are eligible for wage loss compensation. Employer accounts will not be charged for unemployment benefits related to COVID-19.

Questions About the Stimulus Checks

Under the CARES Act, all taxpayers will receive a one-time stimulus payment within the next few weeks, if certain income requirements are met. Single adults with an AGI under \$75,000 and married couples under \$150,000 will receive a payment from the government of \$1,200 each, and parents will receive an additional \$500 for each child. Individuals and families with income above those thresholds will have their relief payments reduced, phasing out at \$99,000 for individuals or \$198,000 for married couples.

These payments will be based on your most recently filed tax returns: 2019 if you have already filed, or 2018 if you have not. Most taxpayers will not need to take any action to receive their stimulus payments, which will be deposited automatically or mailed to the taxpayer's mailing address.

Social Security and SSDI recipients will also receive their payments automatically. But many veterans and lower-income workers, who may not have needed to file returns at all, must file an informational return to receive their payment.

These payments are tax-free, and your stimulus check will have no impact on your own tax refund.