



THE SMITH GROUP
MULTI FAMILY OFFICE

Highlights of The CARES Act

The Coronavirus Aid, Relief, and Economic Stability (CARES) Act was signed on March 27th, 2020. The bill was massive both in size and scope. The White House has stated it is “the single-biggest economic relief package in American History.” The \$2 trillion of economic aid is roughly 9% of U.S. GDP, and there are several provisions that may affect our wealth management strategy. We have highlighted information we feel is most relevant. If you have any questions about the information covered below, please reach out to us directly.

Required Minimum Distributions Waived for 2020

Required Minimum Distributions (RMDs) from retirement accounts are waived for 2020. You can still take it if needed or desired, but the distributions will not be required this year. There are so many different scenarios concerning RMDs we’ll highlight some of the nuances and then we will plan out your personalized ROADMAP to take advantage of this opportunity.

- High Tax Bracket:
 - Skip taking RMD
- Lower tax bracket:
 - Convert to ROTH – allows money to continue to grow tax-free and will be tax-free when we need to withdrawal (we can move securities over in kind so no need to sell!)
 - Take RMD to take advantage of lower tax rates and move to taxable account if you have a large expense or need to replenish savings –cognizant of having to sell to raise cash when stocks are down – plenty of time to plan!
- Over 70 ½ :



THE SMITH GROUP
MULTI FAMILY OFFICE

- Take advantage of Qualified Charitable Distributions (QCDs) from your IRA. Up to \$100,000 per person, per year, as in prior years, distributions must be made directly to a qualified charity. **Be cognizant of the higher (100%) deduction amount for gifts this year, highlighted below.
- Inherited IRAs -- the language suggests that the provision of waiving the requirement to take minimum distributions in 2020 should also apply to inherited IRAs. There may be further guidance to clarify this point, for now it seems that beneficiaries of inherited IRAs should be able to skip RMDs this year. We will continue to monitor.

Retirement Account Withdrawals of up to \$100,000

- Eligible withdrawals up to \$100K without the 10% penalty that normally applies to those under 59 ½.
 - Eligibility: individuals who have tested positive for COVID-19; spouse or dependent
 - Financial hardship due to COVID-19; examples losing job, dependent care (Treasury will make final determination)
- Still have to pay income tax – can be spread over 3 years
- You can also replenish over the same 3 years

LAST RESORT – we should always look to use retirement savings as a vehicle of last resort to tap. Do not make this decision without calling and getting very specific information from your plan (401(k), 403(b)) or us!

Changes to Charitable Deductions

Two significant updates have been made under the CARES Act.



THE SMITH GROUP
MULTI FAMILY OFFICE

- The first is a new charitable contribution deduction of up to \$300. To qualify, the donation must be made in cash, directly to a charity; contributions to Donor Advised Funds are not eligible. This deduction will be subtracted from gross income (an “above-the-line” deduction).
- High Income Earners: Donors can now deduct 100% of their 2020 donations from their AGI. This means if you have an AGI of \$1 million for 2020, you can donate \$1 million to a public charity and deduct 100%. To be eligible for this deduction, donations must be made in cash and directly to a public charity. Contributions to Donor Advised Funds and Private Foundations do not qualify.

If you have been thinking of making a gift this might be the year to do it! There are many individuals matching contributions — what an opportunity to make a larger impact. If this is something we have spoken of and you are keen to consider let’s chat!

BONUS: If one was to make a large contribution, what a GREAT TIME to convert your Traditional IRA, 401(K) to a ROTH and take advantage of the deduction!

Direct Payments to Americans

The bill also allows for one-time direct payments to many Americans. Individuals earning up to \$75,000 will receive \$1,200; the payment amount decreases once an individual hits the \$75,000 income threshold and stops entirely at \$99,000.

Married couples will receive \$2,400, but the sliding scale applies to them as well. Payments decrease starting at \$150,000 of combined annual income and end at \$198,000. An additional \$500 will also be paid out for each child in the household under the age of 17.



THE SMITH GROUP
MULTI FAMILY OFFICE

It is still unclear when Americans can expect to receive their stimulus payments, but Treasury Secretary Steven Mnuchin suggested that the checks will be sent within three weeks of the bill's signing.

Support for Large Companies

Many state and local governments have issued stay-at-home directives and required non-essential businesses to close or limit their operations. While these measures are necessary to prevent the pandemic from worsening, the lost income poses a threat to many businesses. The bill contained provisions to help large companies that have been hit hardest.

The airline industry is receiving significant support, with \$50 billion set aside for passenger airlines and \$8 billion for cargo airlines. Half of this money is to cover employee wages, salaries, and benefits during. The other half is structured as loans to help airlines cover other operating costs like fuel, airport fees, taxes, and maintenance.[1]

The bill also sets aside \$17 billion for “businesses critical to maintaining national security.” Much of this money will likely go to Boeing, the country’s only domestic airline manufacturer and the maker of the F-18 Super Hornet. Boeing has struggled financially since last March when faulty instruments in the 737 MAX (Boeing’s flagship commercial jet) caused a second fatal crash in five months. Since then, all 737 MAX planes have been grounded, and Boeing reported a full-year net loss of \$18.4 billion in January.[2]

All of these capital injections come with stipulations. For one year after the loans are repaid, companies that receive funds may not participate in stock buybacks, and any executive earning more than \$425,000 may not receive a raise.[3]



THE SMITH GROUP
MULTI FAMILY OFFICE

Support for Small Businesses

The pandemic's impact on small businesses has been even more acute, and a significant portion of the stimulus package is earmarked for small businesses.

The government is offering a total of \$350 billion in loans to small businesses to cover salary, wages, and employee benefits up to 250% of an employer's monthly payroll. The loans have a \$10 million limit, are tax-free and interest-free, and loan payments are deferred for one year.

In addition, small business owners whose businesses closed or had sales decline by 50% or more are eligible for a tax credit equal to 50% of all wages paid during the pandemic. Small businesses will also be allowed to defer their payroll taxes for 2020; 50% of those deferred taxes will be due in 2021, and the other 50% will be due in 2022.

Support for The Healthcare Sector

The stimulus provides support for states, counties, and hospitals working to contain the spread of COVID-19. In total, \$117 billion will be put towards hospitals and healthcare for veterans, and \$16 billion will be used to create a strategic national stockpile of much-needed pharmaceutical and medical supplies.

The bill also stipulates that group health plans and insurance providers must cover 100% of any preventive care that is directly related to COVID-19 without copays or out-of-pocket costs for patients.

Enhancements to Unemployment Insurance



THE SMITH GROUP
MULTI FAMILY OFFICE

Last Thursday, the Labor Department reported that a record 3.28 million unemployment claims were filed in the week ending March 21st—nearly five times higher than the previous record of 695,000 during the market correction of 1982.[4]

The stimulus adds an additional \$600 per week to the standard unemployment benefit for up to four months. Also, individuals who otherwise could not receive unemployment benefits—freelancers, self-employed individuals, and independent contractors—may now be eligible.

Finally, federal student loan payments have been suspended through September 30th, and no interest will accrue on those loans in the interim.

[1] Investopedia, Which major expenses affect airline companies?

[2] Seattle Times, Boeing reports worst full-year loss in its history, but CEO Calhoun vows ‘we’ll get through it’.

[3] CNBC, Here’s what’s in the \$2 trillion coronavirus stimulus bill.

[4] CNBC, Jobless claims soar past 3 million to record high.

Disclaimer: *The information, analysis, and opinions expressed herein are for general and educational purposes only. Nothing contained in this commentary is intended to constitute legal, tax, accounting, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. All investments carry a certain positive risk, and there is no assurance that an investment will provide performance over any period of time. An investor may experience loss of principal. Investment decisions should always be made based on the investor’s specific financial needs and objectives, goals, time horizon, and risk tolerance. The asset classes and/or investment strategies described may not be suitable for all investors and investors should consult with an investment advisor to determine the appropriate investment strategy. Information obtained*



THE SMITH GROUP
MULTI FAMILY OFFICE

from third party sources are believed to be reliable but not guaranteed. Emerald Advisors, LLC makes no representation regarding the accuracy or completeness of information provided herein. All opinions and views constitute our judgments as of the date of writing and are subject to change at any time without notice.