

STRATEGIC STEWARDSHIP

Guiding You Through Life's Transitions



May/June 2020

CARES Act Update

In our last newsletter, we highlighted some of the changes in legislation put forth by the CARES Act which was passed on 3/27/20. Below is an update on some frequently asked questions from the bill.

- **Is an RMD required in 2020?** No. For the 2020 tax year, RMD's have been waived for all retirement accounts including traditional IRAs, beneficiary IRAs, SEP IRAs, Simple IRAs, 401(k)s, 403bs and other defined contribution plans.
- **What if I already took an RMD this year can I deposit it back?** It depends. Current guidance says anyone who takes an RMD between Feb. 1 and May 15, 2020 has until July 15 to roll over the RMD payment. If you received an RMD in January 2020 or after May 15, 2020, the 60-day window to re-deposit would apply.
- **Can I still do a qualified charitable distribution from my IRA even though RMD's have been waived?** Yes. QCD's can be made in years where RMD is not required if you are 70 ½ years old when the distribution is made.
- **Do inherited/beneficiary IRA's fall under the RMD waiver?** Yes. 2020 RMD's are waived for inherited Roth and traditional IRA's.
- **What tax relief is available for coronavirus-related IRA distributions?** Cares Act allows qualified individuals to take distributions of up to \$100,000 without the pre-59-1/2 age restriction. The distributions are still taxable, though they can be spread over 3 years from an IRA or company plan during 2020 if they were affected by the virus. There is also a provision for putting the money back in your account and avoiding the tax within three years. Relief is only available to individuals who have been:
 - Diagnosed with the COVID-19 virus by a test approved by the CDC.
 - Spouse or dependent is diagnosed
 - Who experiences "adverse financial consequences" from being quarantined

We hope this update is helpful to you in understanding the many facets of the Cares Act. Give us a call if you have any questions about how these or other provisions might apply to you.

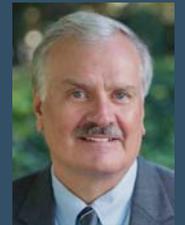
Source: Ed Slott, Most-Asked CARES Act questions, Financial Planning, 5/4/20, https://www.financial-planning.com/opinion/cares-act-faqs-rmd-waivers-and-coronavirus-related-distributions?position=editorial_1&campaignname=FP_weekly_RIA%20IQ-05112020&utm_source=newsletter&utm_medium=email&utm_campaign=FP_weekly_RIA+IQ%2B%27-%27%2B05112020&bt_ee=yj23GpMnTL0iLCNVFtx4IWuE8SborfiiM5zDD%2B9svkl7My3cpfbqGBHsmGly31%2Bd&bt_ts=1589212916693



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Time to Reconsider College for the Fall?

From schools already on the brink to the loftiest institutions, the pandemic is changing higher education in America with stunning speed. Every source of funding is in doubt. Schools face tuition shortfalls because of unpredictable enrollment and market driven endowment losses. Public institutions are digesting steep budget cuts, while families are questioning whether it's worth paying for a private school if students will have to take classes online, from home.

California State University System recently announced that all 23 campuses will be closed for the fall semester, with instruction exclusively online. The University of Michigan said it could lose up to \$1 billion by the end of 2020, and many other higher ed institutions have frozen hiring, cut pay, and laid off staff. The coronavirus pandemic has put colleges and universities in a financial predicament no all-nighter can solve.

Yet more than six in ten colleges plan to reopen with in-person classes this fall. You can keep tabs on all reopening announcements with [this tracker](https://www.chronicle.com/article/Here-s-a-List-of-Colleges-/248626) (<https://www.chronicle.com/article/Here-s-a-List-of-Colleges-/248626>) from the Chronicle of Higher Education.

However, "I don't think there's any scenario under which it's business as usual on American college campuses in the fall," says Nicholas Christakis, a sociologist and physician at Yale University who is studying how the coronavirus spreads. "This idea — that we can somehow just get back to normal and go back to school in the fall, because we always have, it's not reasonable, actually. I think we're going to have to figure out other ways of doing this."

There are many ways a reconstructed fall might look, including the option of continuing everything online, though many colleges that teach in-person still think of that as a last resort. They cite online learning growing pains and an ambivalent faculty. Plus there's some fear that students and their families won't be willing to pay as much for an online offering. Among the ideas being floated for tweaking the in-person model is changing the traditional academic calendar. Instead of starting in August or September, school might open in October or even January. Instead of 16-week semesters, colleges could shift to quarter systems or even shorter, four-week courses to allow flexibility. Others have floated a hybrid model, with some smaller classes remaining in-person and larger classes going online.

And let's don't overlook the personal financial impact of COVID-19 forcing tens of millions of Americans out of work, and investment portfolios having fallen faster than at any time in U.S. stock market history. Can Mom and Dad still afford college as planned?

So, with all this uncertainty, many are considering a "gap year" for their college student. Wait for COVID-19 to be defeated, so your student can enjoy the full college experience they want and are paying for. A gap year can be a time for personal growth. It may even lead to a completely different path in young peoples' trajectories, potentially saving students from wasting time and money at a school or in a major that they discover is not the best fit for them.

Ethan Knight, Executive Director of the Gap Year Association, says his group recommends four key components for making a year off before college worthwhile:

1. Service work or volunteering
2. Internship or career mentorship
3. Some amount of paid work
4. Something creative, so that the year is not over-scheduled

While a gap year sounds like a great idea it also has downsides such as:

1. You risk losing your academic momentum
2. You risk wasting a lot of valuable time
3. It can be expensive

The Coronavirus has made many things more complicated. Including the decisions around college. Laying out the pros and cons, discussing them with your child, and praying over them together are good steps to take to finding the decision that is right for your son or daughter.

Finally, did you receive a refund from your student's college when they converted to online education? Did you use a 529 account to pay for college expenses for your student? If you answered yes to both questions, you'll want to ensure that your refund is deposited back into your 529 plan within 60 days of receipt to avoid taxation plus a 10% IRS penalty.



Details on the Tax Deadline Extension—*The IRS is giving you 3 additional months to pay*

The Internal Revenue Service knows that many taxpayers have had a stressful spring. So, it has reset the federal tax deadline. You now have until July 15 to file your 1040 form. July 15 is also the deadline to pay any federal taxes owed for 2019.¹

Beyond these important details, there are others to note. Keep in mind: this article is for informational purposes only. It's not a replacement for real-life advice, so make sure to consult your tax, legal, and accounting professionals before modifying your strategy.



The extended tax deadline still falls on October 15. This year, the 6-month extension is now a 3-month extension. If you owe federal taxes, you must still pay them by July 15.²

The July 15 deadline also applies to fiscal year filers and many businesses. It applies to any individual or business entity that would normally have to file or pay by April 15.²

How about those who pay quarterly taxes? On April 9, the I.R.S. set a new July 15 deadline for both first-quarter and second-quarter estimated tax payments. The Q3 and Q4 estimated tax deadlines remain set at September 15, 2020 and January 15, 2021, respectively.³

You have three additional months to make a 2019 IRA or HSA contribution. Do you still need to do this? Ordinarily, your deadline to do so would be April 15, 2020, but just as the federal income tax filing deadline has been pushed forward to July 15, so has this deadline.¹

The July 15 deadline also applies for gift taxes. While the federal estate tax deadline fell on April 15, Forms 709 (the Gift and Generation-Skipping Transfer Tax Return) and related payments are not due until July 15. An extension to file as late as October 15 is permitted; though, gift and GST taxes owed will still be due on or before July 15.⁴

Many state tax deadlines have also been extended to July 15. A few states have given taxpayers even more time. In Hawaii, the filing deadline is July 20. In Iowa, state income taxes may be filed as late as July 31. In Colorado, taxpayers have until October 15 to file their returns, with any taxes owed due by July 15.⁵

Things are a bit different in three other states. Mississippi has pushed its state tax deadline forward, but only to May 15. New Hampshire has offered extensions to “qualifying taxpayers” affected by the coronavirus crisis who were unable to pay state taxes by April 15. Virginia has given taxpayers an automatic 6-month extension to file; if taxes owed are not paid by May 1, interest will be charged, but late penalties will be waived if taxes are paid by June 1.⁵

There are reasons to send in your return well before July 15. Do you think you will owe money? The earlier you determine what you owe, the more time you have to plan your tax payment. If you are owed money, filing earlier can bring you a refund earlier.

As a reminder, this article is intended to present general information, not tax advice. Talk with a tax or legal professional about your particular tax situation before modifying your strategy.

Citations.

1. Kiplinger.com, March 30, 2020
2. IRS.gov, April 10, 2020
3. Forbes.com, April 9, 2020
4. The Internal Revenue Service, April 2020
5. MSN.com, April 6, 2020



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Five Things to Do Right Now

As many of us are home more than usual it can be a great time to accomplish things you have been postponing. Below are five things you can do today that will be a good use of time and save everyone from future headaches.

1. Review the beneficiaries on your accounts. Whom you choose as beneficiary on your accounts and how you designate each one can have a substantial impact on your family. Start by reviewing the current beneficiaries for each of your accounts. Do they match up with what you desire? Check accounts such as but not limited to your current or old 401k, 403b, traditional IRA, Roth IRA, SEP IRA, and Simple IRA.
2. Create a household budget or spending plan. Budgeting is not something many people want to discuss but it is vitally important for your finances. Five simple steps to create a budget are:
 - a. Figure out your after-tax income
 - b. Choose a budgeting system/plan like Mint, Quicken or Dave Ramsey's Every Dollar
 - c. Track your progress throughout the month
 - d. Automate your savings
 - e. Revisit your budget as needed, but at least once a year
3. Organize your financial records. Being organized reduces stress for you and your loved ones. Key topics to consider are:
 - a. What records should you keep?
 - b. How long should you keep them?
 - c. How should you keep them organized?
 - d. How can you make sure that someone has access to your records in case of emergency?
4. Create a contact and financial information worksheet. One document that lists all your important information in place can be a big-time saver for you and your family. By finalizing this information, you and your family members will know where to find your vital information. You can give a copy to a family member or emergency contact.
5. Review legal documents. Read through your will to make sure you have the guardians and trustees you still desire. Review your power of attorney to make sure it is "durable" which gives someone the ability to make decisions for you if you are incapacitated. If you don't have your legal documents completed, let us know and we will point you in the right direction to get them done.

We have guides we can provide you on each of these topics. Please call or email us if you'd like one of these guides or if we can assist in any way.