

COVID-19 related stimulus and your finances — individual provisions

Although several economic relief initiatives were released prior to the CARES (Coronavirus Aid, Relief and Economic Security) Act, the Act has been the most encompassing economic stimulus law designed to provide relief to individuals and businesses affected by COVID-19. While the bill includes provisions intended to support the nation's health care system, loans to small and large companies, and support for state and local governments, it may also include measures that are important to your finances.

ONE-TIME DIRECT PAYMENT

All tax-paying Americans, including Social Security recipients, with adjusted gross income up to \$75,000 (\$150,000 married/joint) are eligible for a \$1,200 (\$2,400 married/joint) payment. An additional \$500 per dependent child will also be provided.

The payment amount is reduced by \$5 for every \$100 over the income limit and will be phased out for those with incomes over \$99,000 (single) and \$198,000 (married/joint) with no children.

INCREASED UNEMPLOYMENT BENEFITS

Unemployed workers will receive an additional \$600 per week starting March 27 until July 31, 2020. The Act provides an additional 13 weeks of unemployment benefits through Dec. 31, 2020, for those who remain unemployed after state-administered benefits are no longer available.

Gig workers, contractors, farmers and freelancers typically can't apply for unemployment; however, the bill created a temporary Pandemic Unemployment Assistance program to help these people who lose work through the end of the year.

TAX RETURN EXTENSION

For those who have not filed their 2019 tax returns, the filing deadline has been extended to July 15, 2020.

2019 IRA, Roth IRA or health savings account contributions have also been extended until July 15, 2020.

RMD SUSPENSION

Required minimum distributions (RMD) are suspended for retirement plans and IRAs in 2020, including those for inherited IRAs. This includes RMDs due in 2020 but attributable to 2019.

HARDSHIP DISTRIBUTIONS

The following apply to qualifying individuals, including those diagnosed with COVID-19, those with a spouse or dependent diagnosed with COVID-19, or those who have experienced financial consequences as a result of COVID-19, which includes being quarantined, furloughed, laid off, received reduced hours or additional child-care responsibilities.

The maximum loan from a qualified retirement plan has increased from \$50,000 to the fully vested value of the account, or \$100,000 — whichever amount is less.

The 10% early withdrawal penalty for up to \$100,000 from qualified retirement plans, such as IRAs, 401(k)s and 403(b)s, has been waived. Taxes due on the withdrawal will still be owed and must be paid over three years or by returning the amount to the account over three years.

MORTGAGE AND RENT RELIEF

All owners of federally-backed mortgages, including those purchased by Fannie Mae and Freddie Mac, insured by the departments of House and Urban Development or Veterans Affairs have the option to request up to 180 days of forbearance. The Act prevents providers of federally-backed mortgage loans from initiating any foreclosure process for at least 60 days beginning March 18, 2020.

The CARES Act provides 120 days of eviction relief for tenants of federally-backed housing. During the 120-day eviction moratorium, the landlord may not charge late fees, penalties or other charges.

STUDENT LOAN RELIEF

All loan and interest payments will be deferred through Sept. 30, 2020, without penalty to the borrower for all federally-owned student loans.

Employers can provide up to \$5,250 in tax-free student loan repayment benefits. That means an employer could contribute to loan payments, and employees won't have to include that money as income.

HEALTH INSURANCE COVERAGE

The Act requires all private insurance plans to cover COVID-19 treatments and vaccines, and makes all coronavirus tests free.

If you have additional questions about these provisions or would like more details, please reach out to your financial advisor with Waddell & Reed.

This is a general overview of certain rules related to the CARES Act, and the ideas presented are not individualized for your particular situation. This information is based on current law which can be changed at any time.

The following information is provided for informational and educational purposes only. It is based on data gathered from what we believe are reliable sources, but it is not guaranteed and should not be relied upon for financial advice. For your specific financial needs, please discuss your individual circumstances with your financial advisor.

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