



# The CARES Act

PASSED BY CONGRESS IN RESPONSE TO THE  
CORONAVIRUS PANDEMIC

Presented by


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# Agenda

## The Coronavirus Aid Relief Economic Security Act

- The Essentials of the CARES Act
  - Coronavirus Pandemic's Impact on US Economy & Stock Market
  - Advice for Investors
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# The Essential Takeaways

1. Direct payments to Americans
  2. Enhanced Unemployment Benefits
  3. Reprieve for Student Loan Borrowers
  4. Emergency loans/grants to Small Businesses
  5. Expanded expenses deductible via Health-related accounts
  6. Protection from foreclosure/eviction
  7. Increase in Charitable Deduction ability
  8. Retirement accounts
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# Direct Payments to Americans

Starting in April, 2020

- \$1,200 per adult
- \$ 500 per child <16 years

Exclusion Applies, If HH income is:

- >\$75,000 if Single filer
- >\$112,500 if Head of HH
- >\$150,000 if Married filing jointly

Gradual phase out above limits

Review 2019 Tax Return, if completed.

- 2018 Tax Return applies, if 2019 not filed

# Enhanced Unemployment Benefits

- Historic spike in unemployment claims
- Unemployment is now > 10% of US workforce
- May reach > 30% briefly
- Normal weekly benefit of \$400 will be boosted by \$600/wk.
- Duration is expanded to 39 weeks.
- Self-employed and 'gig' workers are now covered

# Relief for Student Loan Holders

- Applies to Federal loans that make up 90% of total
- No interest due, no payments due until Sept 30, 2020
- Employers' payments to employee student loans are now tax free
  - Up to a max of \$5,250 per year

# Emergency Loan/Grants for Businesses & Non-profits

- Organizations with <500 employees
- Churches, Non-profits, and Companies are covered
- Loans at first, that turn into grants if all employees are retained
- Must be used for essentials: payroll, rent, health insurance, etc.

## Expanded Health-related expenses

- Now permitted for HSA, FSA, HRA's

## Prevention of Foreclosure/Eviction

- By property owners and/or loan servicers

## Increase in Deductibility of Charitable Donations

- Up to \$300 deduction, even if you don't itemize

# Retirement Account Rules Are Changed

## For IRA Accounts

- If over 70 ½, no Required Minimum Distribution this year
- Applies to normal IRAs, and inherited IRAs

## For People with 401k's

- Up to \$100,000 can be withdrawn from your 401k
  - 3 years to put it back in, if you choose
  - No 10% early withdrawal penalty if under 59.5 yrs old
- Taxes are due in the year withdrawn, but
  - You can amend your taxes if you put the money back w/in 3 yrs
- Loans from 401k accounts expanded
  - Now permitted to borrow up to \$100k (vs \$50k previously)

# Impact of the Pandemic on Economy

- Loss of 22 million jobs in 4 weeks (ending April 17, 2020)
- Collapse of demand for all non-essentials
- Loss of 80-100% revenue lead to company loans/bonds begin widespread default, leading to further unemployment...
- Mass spike of poverty, affecting women & children, single seniors the most
- Mass disruptions to core industries like housing, autos, aerospace, energy, travel, entertainment, professional sports, etc.
- Essential service industries like power, food, telephone & internet, healthcare remain, and may even thrive.

## Stock Market Behavior

- Extreme volatility due to likely recession and contraction in corp profits
- Exaggerated reactions to positive and negative news on Virus
  - Historic Fed Action, Treasury intervention in credit markets
  - Congressional promises like Infrastructure Bill



# WHAT IS GOVERNMENT DOING TO SUPPORT THE ECONOMY AND MARKETS?

## **Federal Reserve**

- already cut rates by 0.5%, and will cut more ahead
- Quantitative easing (buying bonds to lower rates)
- Potential of zero or negative interest rates

## **U.S. Treasury**

- Injecting >\$1 T into credit market to keep it functioning
- Secretary of Treas negotiated emergency Coronavirus bill
- Financial support of key industries is expected

## **Congress**

- Negotiated emergency Coronavirus bill with Treasury
- Expected to pass a big spending bill to provide stimulus

## **White House**

- Coordination of government agency leadership
  - Eliminating barriers to care
  - Authorizing access to \$50 billion of emergency funds
  - Engaging private sector CEOs and their companies
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# WHAT MIGHT EVENTUAL RECOVERY LOOK LIKE?

## The V-Bottom

### BEST CASE SENARIO

- 2-6 months depressed economic activity
- Sharp market rebound
- Quick recovery of consumer spending

## The U-Recovery

### LIKELY SCENARIO

- 6-12 months depressed economic activity
- Several apparent market bottoms that don't hold
- Consumers are slow to rebound to prior normal
- Risk aversion among investors who don't trust recovery
- Serious damage to business/consumer confidence

## The L-Recovery

### WORST CASE SCENARIO

- 1-2 years depressed economic activity
- Very sluggish, or no rebound, in global economy
- Consumer behavior is altered long term
- Long term, structural damage to US economy
- Widespread layoffs and corporate bankruptcies

## The W-Recovery

### POTENTIAL SCENARIO

- Economy reopens
- Pandemic restarts in Fall
- Second shutdown required
- Economy slumps again



# WHAT SHOULD YOU DO NOW?

1. Have (or raise) 1-year worth of cash/money market to run your household

2. Evaluate your asset allocation for today's riskier environment

- Do you have too much stock market risk?
- If yes, use market rallies to sell and reduce exposure
- If you own bonds/bond funds, consider taking profits

3. If you have excess cash, make a 'shopping list' of potential opportunities

- Stocks or ETFs that benefit from lower interest rates
- Companies or ETFs growing regardless of COVID
- Companies or ETFs benefitting from 'stay at home' trend
- Industries getting government support (airlines, cruise lines, hotel industry)
- Foreign country ETFs where COVID is on the decline already

# THE PANDEMIC WILL END

Positive things happening now that will aid economic recovery

- Mortgage rates have fallen to record lows
- Over 80% of Americans can refinance
- Oil supply glut will reduce gasoline below \$2 a gal
- Lower rates and cheaper gas will add billions to the economy

COVID Crisis is forcing bi-partisan cooperation in Washington

Every epidemic in the last 20 years was followed by eventual recovery, and new market highs

Governmental policy lessons learned after 9/11 and the Great Financial Crisis have given the government a toolbox of policy strategies to combat economic crises

**BELIEVE IN AMERICA. IT WILL RECOVER, AND REMAINS THE BEST COUNTRY IN THE WORLD  
IN WHICH TO INVEST FOR THE LONG TERM!**

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