



The CARES Act

Coronavirus Aid, Relief, and Economic Stimulus Act

How can it help you?

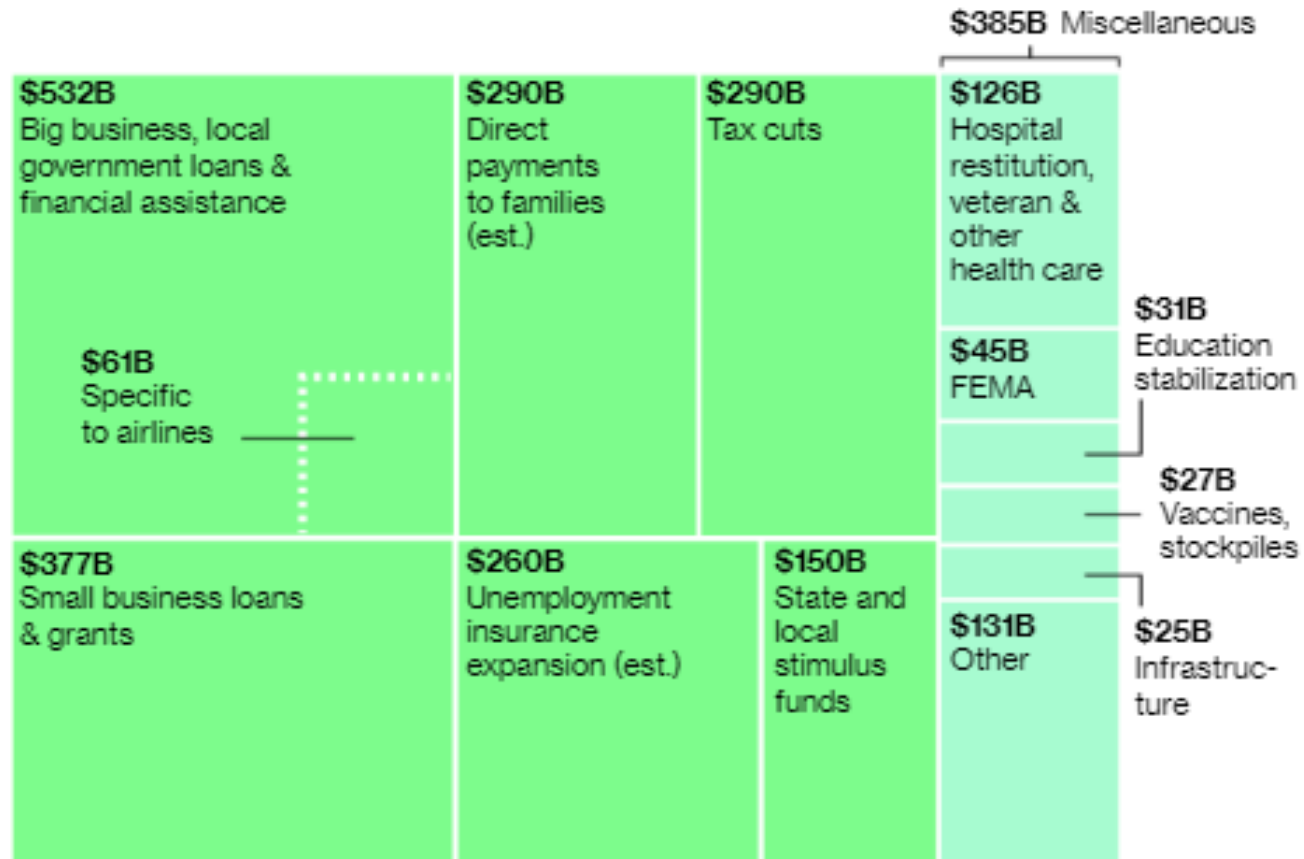
Overview

- The CARES Act was signed into law on March 27th, 2020 by President Donald Trump.
- The CARES Act authorizes more than \$2 trillion to battle COVID-19 and its economic effects, including...
 - Immediate cash relief for individual citizens
 - Loan programs for small business
 - Support for hospitals and other medical providers
 - Various types of economic relief for impacted businesses and industries



Where \$2 Trillion In Rescue Funds Will Go

- \$500B in company loans
- \$350B in small business aid
- \$600/week unemployment for up to four months
- \$198B in funds to tackle the virus
- Extra \$484 billion in funding for PPP and hospital



Source: U.S. Senate, Committee for a Responsible Federal Budget, Bloomberg research

Breaking Down the CARES Act

Purpose of CARES Act is to Provide Support for...

- Keeping American Workers Paid and Employed
 - i.e. The Paycheck Protection Program: Goal is to keep small businesses running. Loans are designed to keep employees on payroll
- American Workers, Families, and Businesses
 - i.e. Stimulus checks up to \$1,200 per individual plus \$500 per child
- The Fight Against Coronavirus
 - i.e. Free testing and free vaccination for Coronavirus once it is available
- Economic Stabilization
 - i.e. Loans for mid-sized and large-sized companies
- Coronavirus Relief Funds
 - i.e. \$150 billion will be provided to states to help cover costs associated with Coronavirus

How the CARES Act Can Help You & Your Family

- Free Coronavirus Testing
- Paid Sick and Family Leave
- Expanded Unemployment Coverage
- Extension for Filing and Paying Taxes
- Stimulus Checks for Individuals, Couples, and Children
- Mortgage, Rent, Foreclosure, and Eviction Relief
- Student Loan Payment Suspension
- New Charitable Giving Incentives
- IRA RMD Holiday
- Penalty-Free Withdrawal from IRAs and Retirement Plans
- Low Interest, Possibly Forgivable Loans for Small Businesses (PPP and EIDL)
- Payroll Tax Credit and Deferment

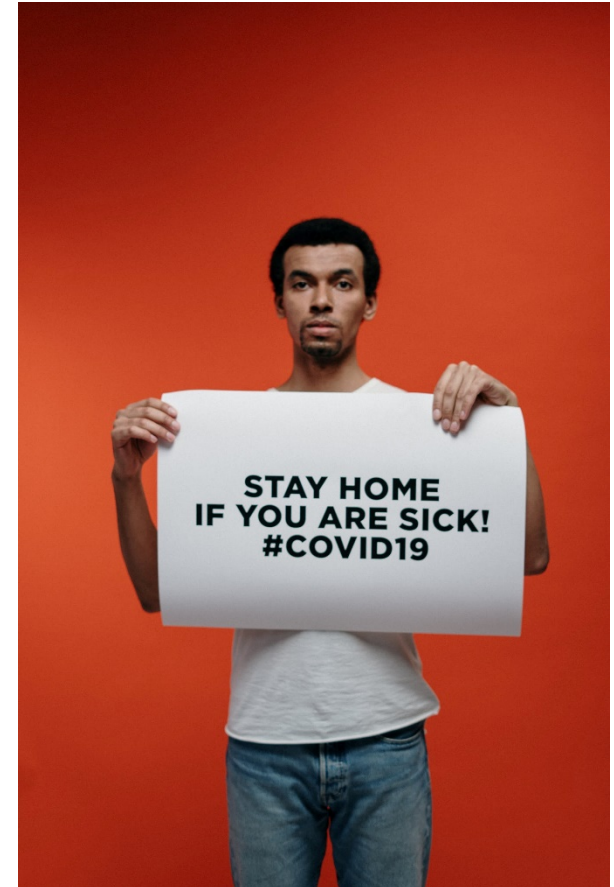
Free Coronavirus Testing

- FFCRA provides free coronavirus testing to all Americans
- All copayments are waived
- \$130 billion of funding to go towards the following:
 - \$60 million to Department of Veterans Affairs to test veterans
 - \$64 million to the Indian Health Service to test members of Native American tribes
 - \$1 billion to National Disaster Medical System to test those without health insurance



Time Off Benefits Available to You

- If employee cannot work due to own health condition, 2 weeks paid sick leave is provided at full rate
- If employee cannot work due to caregiving responsibilities, 2 weeks additional paid sick leave at 2/3 the rate is provided
- For employees who cannot work due to lost access to childcare (includes school) up to 10 weeks of additional family/medical leave at 2/3 the rate is provided
- Self employed individuals also qualify for benefits



Changes to Unemployment

- Each individual can receive an additional 13 weeks of unemployment benefits
- A temporary Pandemic Unemployment Assistance program for those who do not typically qualify for unemployment
- Unemployment checks will be increased by \$600 per week for four months through July as well as an additional 13 weeks



Extensions to Filing and Paying Taxes

- Tax day is normally April 15th, however the CARES Act is providing an extension through July 15th, 2020
- There is no limit to the amount of taxes owed that can be postponed
- IRA and HSA deadlines also extended until July 15th, 2020
- Social Security recipients don't need to file tax returns



Stimulus Money Q&A

- What are Stimulus Checks?
 - One time payment from US Government
- Do I qualify?
 - All US residents qualify
 - Except those who are claimed as dependents
 - Payments phase out for individuals making over \$75,000 and couples making \$150,000 / year.
 - Can receive up to \$1,200 plus \$500 per dependent child
- Do Stimulus Checks Have to be Repaid?
 - No, payments are funded by the Federal Government with no strings attached



Debt Relief

- Many credit card companies are offering forgiveness and many mortgage companies are foregoing interest
- The FHA has imposed a 60 day foreclosure and eviction moratorium for single family homeowners with FHA insured mortgages
- Fannie Mae and Freddie Mac are suspending foreclosures and evictions for at least 60 days as of March 18th, 2020



Updates to Student Loan Payments

- Required payments on Federal student loans are suspended until September, 2020 (Direct Loans and FFEL Loans)
- During this time, no interest will accrue on this debt
- This period of time will continue to count towards ANY loan forgiveness programs. (such as the Public Service Loan Forgiveness program or income-driven payment programs)
- These loan benefits don't cover older FFEL loans held by commercial lenders and campus-based Perkins loans, or any private loans



Updates to Charitable Giving

- There is now a \$300 above-the-line deduction of cash contributions to churches and other charitable organizations for 2020
- Individuals now have no adjusted gross income limit on charitable contributions in 2020 (50% AGI limitation to 100%) Corporation's charitable contributions limit was raised from 10% to 25%
- Provision is meant to encourage people to continue charitable donations to non-profits in this time of need



Updates to Required Minimum Distributions (RMDs)

- You are not required to take a RMD for 2020
 - Why would you want to draw RMDs calculated on December 2019 values from accounts that are down 30%?
- This applies to inherited and beneficiary IRAs
- If you took an RMD you didn't have to earlier this year you can check to see if you are eligible to rollover the amount back into your retirement account



Updates to Withdraws from IRAs

- CARES Act provides an exception to the 10% early distribution penalty
- Distributions will be included in gross income over three years, taxes will be spread over a three-year period
 - Or you can opt to include the income in 2020
- Through December 31, 2020, individuals can take a loan from a qualified plan up to the lesser of \$100,000 or 100% of the vested account balance
 - They doubled the allowable amount
- No limits to what you can use the funds for as long as you pay them back over 3 years

Interest Rates for Small Businesses

- The Paycheck Protection Program provides \$349B in 100% federally guaranteed loans
 - Congress approved an additional \$310B in funds for the PPP
- Loans are designed to ensure continued employment of employees
- PPP is for payroll related costs for the previous year and covers businesses with less than 500 employees
- Borrowers apply at participating banks and loans will be forgiven if wage levels are maintained during an 8-week period starting on the loan's origin date

Refundable Payroll Tax Credit

- Credit is available to small business owners whose...
 - Operations were fully or partially suspended due to a COVID-19 shutdown order
 - Gross receipts declined by more than 50% when compared to the same quarter in the prior year
- For eligible employers with 100 or fewer full-time employees
 - All employee wages qualify for the credit whether the employer is open for business or subject to a shutdown order
- The credit is for the first \$10,000 of compensation, including health benefits, paid to an eligible employee





The SECURE Act

Changes to Retirement Saving, Inheritances, and Debt Repayment

How will it impact you?

Overview

- The Setting Every Community Up for Retirement Enhancement (SECURE) Act was signed into law on December 20, 2019 by President Donald Trump
- The goal is to help Americans in their journey to a more comfortable retirement
- As a result, changes have been made to...
 - Required Minimum Distributions (RMDs)
 - 401(k) programs
 - Penalty-free withdrawals in regards to family planning
 - Loan repayments
 - IRAs

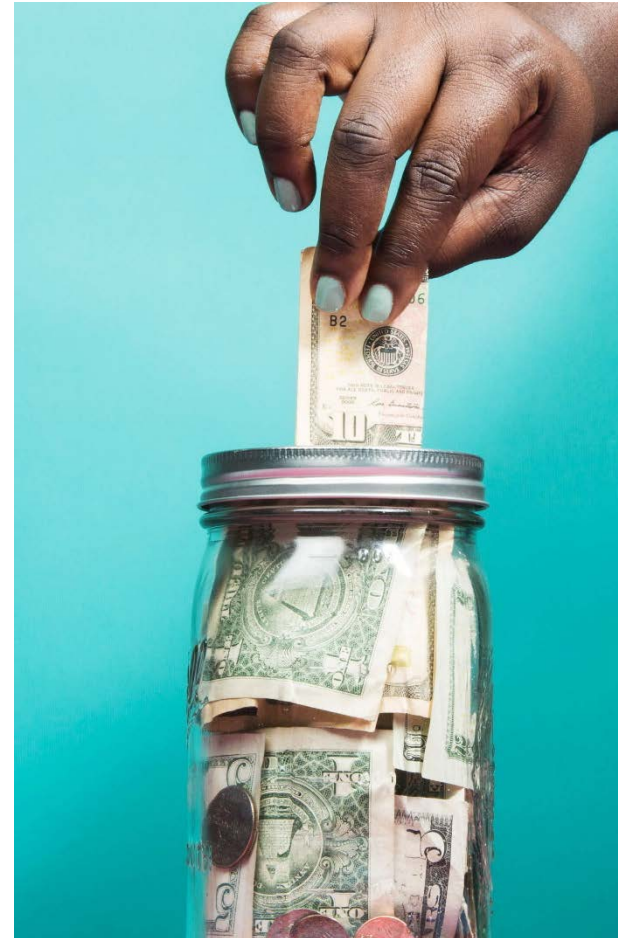


Required Minimum Distributions

- The Required Minimum Distribution age is being raised from 70 1/2 to 72
 - Note: This is for anyone who has not reached the age of 70 1/2 by the end of 2019
- This allows for an extra 18 months for individual's funds to grow before distributions are required
- This was done to help those who lost account value in the stock market due to COVID-19, so they can hopefully earn more money before distributions
- Individuals who reach age 72 will still be able to delay their first RMD until April 1 of the year following the year
 - However, delaying will require a second distribution by the end of the year

IRA Contributions

- Investors can now contribute to their Traditional IRAs after they reach the age of 70 1/2
- Individuals or their spouse needs to have earned income in order to be eligible to contribute to the IRA



401(k) Programs

- 401(k) plans will now be available to certain part-time employees
- In order to be eligible, a part-time employee must satisfy at least one of the two requirements...
 1. The 'old' 1,000 hour rule
 2. Have worked at least 500 hours for three consecutive years
- Changes will begin to apply to plans in 2021
- 2024 is the earliest year in which a part-time employee could qualify

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Penalty-Free Withdrawals For Family Planning

- Families will now have the ability to take a qualified distribution from an IRA account due to the birth or adoption of a child
- Allows for a “Qualified Birth or Adoption Distribution” of up to \$5,000 for each child being born or adopted
- Both of the child’s parents are able to make a qualified distribution of up to \$5,000 for each child being born or adopted



Expanded Annuity Options in Retirement Plans

- Before the SECURE Act, the option to have an annuity within a 401(k) was available
 - Due to increased fiduciary responsibility for the employer, it was not promoted as an effective way to save for retirement
 - Individuals were also concerned about actually receiving a lifetime of income guarantee
- The Secure Act alleviated some of this concern by creating a fiduciary safe harbor for selecting the annuity option
- The Secure Act also gives clients more information that can allow them to evaluate how the annuity option could work for them.
 - Effective 12 months after the Department of Labor issues guidance, defined contribution plans will be required to provide participants with lifetime income estimates.
- Secure Act also makes the annuity portable once the plan participant has chosen the lifetime income option (the ability to transfer from account to account)
- The SECURE Act created a new “Distributable Event” (i.e. separation of service, death, attainment of age 59 1/2) that applies just to annuities when they are no longer allowed as an investment option within a plan
- Participants are allowed to distribute their plan annuity starting 90 days prior to the elimination of the annuity as a investment plan option

Auto-Enrollment in 401(k) Plans

- The SECURE Act now provides a credit for small businesses utilizing the automatic enrollment feature
- The purpose is to encourage small businesses to utilize auto-enrollment by giving a Section 105 credit of up to \$500
- Small businesses must have an “Eligible Automatic Enrollment Arrangement” in order to qualify for the credit
- Starting in 2020, the default maximum percentage of compensation that an employer can set for automatic enrollment increases from 10% to 15%
 - In any year after the first full plan year in which the employee’s compensation is deferred into the plan

Small Business Tax Credits

- Qualified small businesses can now receive up to a \$500 credit for 3 years for startup costs related to establishing a retirement plan
 - i.e. 401(k), 403(b), SEP IRA, or SIMPLE IRA
- Qualified businesses are businesses with 100 or fewer employees receiving \$5,000 or more of compensation
- Tax years beginning January 1, 2020 (and up to three years after), the maximum credit available under IRC Section 45E will be increased to the greater of:
 1. \$500
 - or
 2. The lesser of:
 - a. \$250 x the number of employees eligible to participate in the plan; or
 - b. \$5,000

Graduate and Post-Doctoral Study

- Students affected by COVID-19 are now eligible to start saving for retirement earlier
- Individuals are able to use funds from 529 Plans for student loan repayments up to \$10,000
- Those with taxable stipends used in the pursuit of graduate or post-doctoral studies can now use these amounts to contribute to an IRA for tax purposes




Credit Card Access to 401(k) Loans

- The SECURE Act disallows the ability to pay 401(k) loans with credit cards or similar means
- The purpose is to maintain debt control



Inherited IRAs

- Prior to the SECURE Act individuals were able to stretch the withdraws of an inherited IRA over their single life expectancy
 - Now Inherited IRAs must be depleted within 10 years of receiving the inheritance
- There are 5 groups to which the new 10-year depletion rule will not apply...
 1. Spouse Beneficiaries
 2. Disabled Beneficiaries
 3. Chronically Ill Beneficiaries
 4. Individuals who less than 10 years younger than the descendant
 5. Certain Minor Children (of the original account owner), until they reach the age of majority



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