

NEWS FROM THE PEAK

Purpose

In this issue:

- Purpose
- World In Review
- How Does Government Stimulus Affect Me

I hope this newsletter finds you in good health during these uncertain times. In this edition, it is my intention to give you a brief update of how the pandemic is affecting both the US and global economy. I would also like to update you on the various stimulus packages and how they could affect you. From the government's Paychecks Protection Program to RMD rule changes, there is likely to be something that pertains to you. Please keep in mind, the scope of this newsletter does not allow me to list all the details of each program here. You are always welcome to reach out to us for further conversation. For more details on tax changes, please contact your CPA.

World In Review

Whether it is as simple as a new appreciation for toilet paper or as scary as a recent layoff, we have all been affected in some way by the COVID-19 virus. This year we have had the fastest stock market correction in history, the largest one time surge in unemployment figures ever, and the likelihood of a looming recession. During these challenging times, I think it is important to remember this dramatic slowdown is not due to the instability of our financial system, but a forced reduction in spending. We are fighting a different kind of war and physical distancing seems to be one of the best weapons we have in the arsenal. While many companies will surely recover post-virus, there are also likely to be some sectors that see long term pain.

Central Bank & Interest Rates: The Federal Reserve has been active, making two emergency cuts in March. The second dropped rates by a full percentage point bringing the overnight bank lending rate back to near zero. In addition to rate cuts, the FED has also restarted their quantitative easing program. This will be something to watch long term.

Oil's Collapse: Between Russia, Saudi Arabia, and OPEC, disagreements have both dramatically increased the supply of oil and drastically dropped the price. Add to this the drop in demand from everyone under quarantine and oil has hit lows not seen for several decades.

Unemployment: Worldwide, unemployment rates are climbing at a staggering pace. In the US, over ten million people applied for unemployment in the month of March. With large companies like Macys and Marriott laying off an increasing number of workers, this is very likely to trend higher in the coming months.

Too Big to Fail...Again?: With the airlines and cruise lines fighting to stay afloat, it becomes likely the government will need to step in in some way. This is likely to be in the form of short term loans with favorable conditions, but it will be interesting to see what rules will apply to companies that participate in the program.



"Whether we're talking about socks or stocks, I like buying quality merchandise when it is marked down."

-Warren Buffett

How Does Government Stimulus Affect Me

CARES Act:

- ◆ **2020 RMD's Canceled:** This is the topic likely to affect the biggest group of people. Taxpayers have been given the choice to skip their RMD in 2020 without penalty. For those of you that get frustrated being forced to take money from retirement accounts each year and the requisite tax required, this will be a one year reprieve.
- ◆ **Direct Payments to Individuals:** This is only for those with household income below \$150,000 (for a married couple). According to the IRS, "Eligible taxpayers who filed tax returns for either 2019 or 2018 will automatically receive an economic impact payment of up to \$1,200 for individuals or \$2,400 for married couples and up to \$500 for each qualifying child."
- ◆ **Paycheck Protection Program (PPP):** If you own a business with employees, it is likely you have heard about this program. If not, I strongly encourage you to explore the details of this plan. Essentially, the CARES act has authorized loans for small businesses that would allow an owner to receive two and a half times their monthly payroll. These loans would be forgivable as long as the stipulations are met, primarily that these funds are used for payroll.
- ◆ **Economic Injury Disaster Loans (EIDL):** These loans are also available to small business, but are designed for those most impacted. To qualify a business must have suffered economic injury and be located in a disaster declared county. This program should provide a significant backstop, albeit short-term, for the small business sector of the US.
- ◆ **Access to Qualified Plans Penalty Free:** The CARES Act has introduced several new ways to access retirement accounts. Although I would caution against taking money from retirement accounts prematurely, the government has now made ERISA qualified plans accessible without penalty and with favorable loan terms for those in need of a lifeline.

"The stock market is a device for transferring money from the impatient to the patient."

-Warren Buffett

Federal Tax Extension: For those who owe a federal tax payment on April 15th, the IRS has extended the deadline to July 15th penalty free.

Mortgage Deferrals: If you or a loved one is struggling to make a mortgage payment during this time, please make sure to reach out to your lender/bank. Many banks are offering to suspend mortgages up to 90 days for borrowers suffering due to illness or economic loss. This could also be useful tactic on rental property if you have tenants unable to pay rent.

CARES Act
Becomes Law

