

An aerial photograph of a city, likely San Francisco, showing a dense residential area with many houses and buildings. The city is built on a hillside, and the background features rolling hills and mountains under a hazy, overcast sky. The overall tone is muted and somewhat somber.

# SUMMITRY

## COVID-19, CARES Act & You

April 14, 2020

# SPEAKERS



**JOE MARTIN**

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Experience Officer*



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# AGENDA

Topic	Presenter
Introduction	Joe
CARES Act	Aaron
COVID-19 Economic Impact Payments	Cynthia
COVID-19 Related Distributions	Cynthia
Required Minimum Distributions (RMDs)	Aaron
Roth Conversations, ISOs, ESPP	Aaron
Q&A	All

## CARES ACT – What is it?

- Coronavirus Aid, Relief, and Economic Security (CARES) Act
- Largest economic relief bill in U.S. history
- \$2.2 Trillion in support to individuals and businesses affected by the pandemic and economic downturn

## COVID-19 Economic Impact Payments

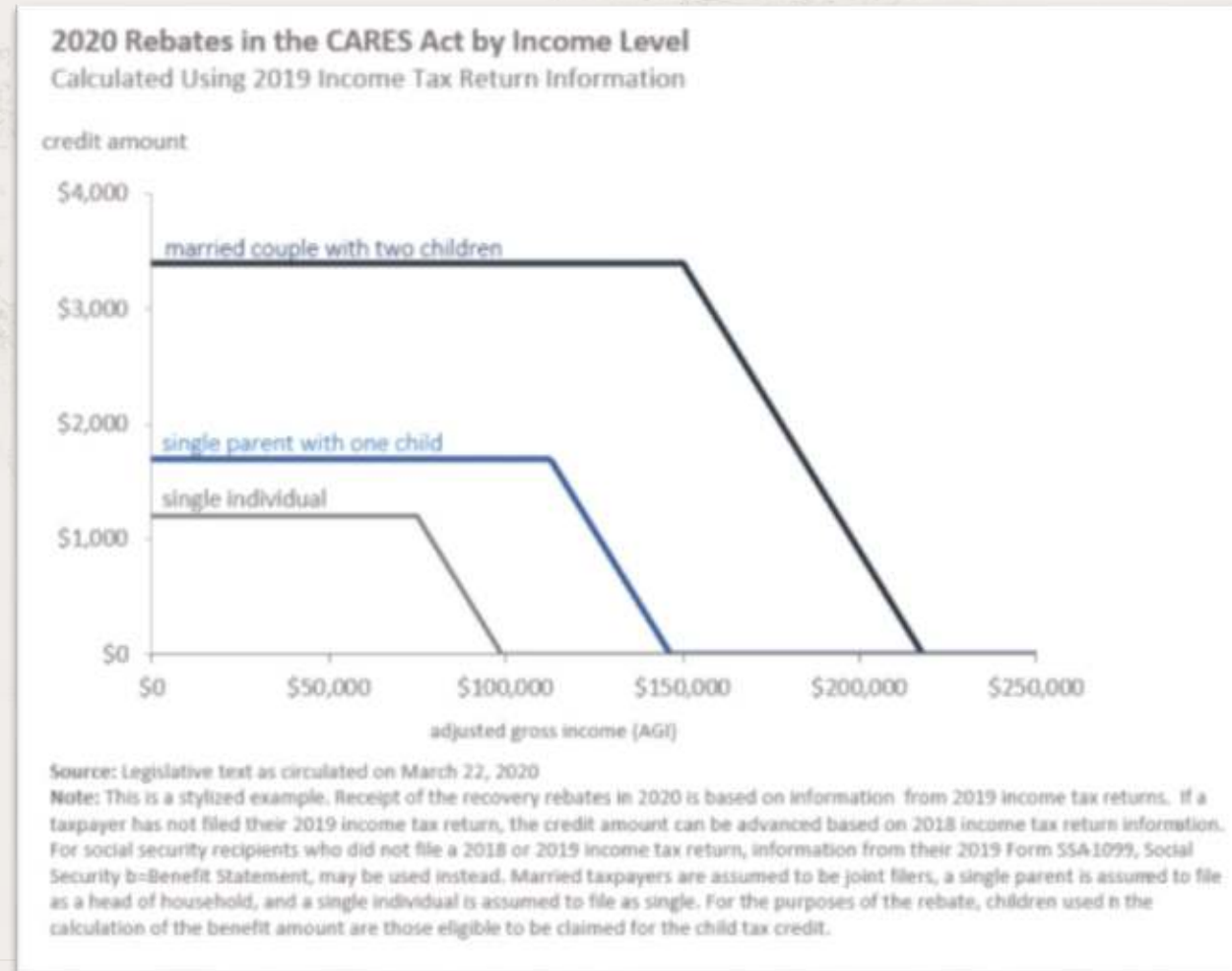
- \$1,200 individuals
- \$2,400 Married Filing Jointly
- Additional \$500 per child under 17



## COVID-19 Economic Impact Payments Phase Out (AGI)

- \$75,000 Individuals
- \$112,500 Head of Household
- \$150,000 Married Filing Jointly
- Phase out at \$5 per \$100 of income over the above thresholds

# COVID-19 Economic Impact Payments Phase Out (AGI)



## COVID-19 Economic Impact Payments

- When to expect payment
- Tax credit, not a deduction
- 2019 tax return, if filed, otherwise, 2018
- Planning Opportunity - Since tax filing deadline has been pushed to July 15th, consider accelerating tax filing if 2019 was lower than 2018
- No claw back provision in the law (current law)



# COVID-19 related distributions from IRAs/employer plans

Benefits of COVID-19 related distributions	3-year taxation option	CRD – COVID-19 Related Distribution
<ul style="list-style-type: none"> <li>• Exempt from 10% early withdrawal penalty</li> <li>• Not subject to mandatory withholding (employer-plan)</li> <li>• Income eligible to be reported over 3 years</li> </ul>	<ul style="list-style-type: none"> <li>• Must be equal over 3 years if that option selected</li> <li>• If lower income in 2020, opportunity to take up to \$100K out, pay lower taxes</li> </ul>	<p>Self-certification</p> <p>Must be one of the following:</p> <ul style="list-style-type: none"> <li>• Self, spouse, dependent diagnosed with COVID-19</li> <li>• Those who have been quarantined, furloughed, laid off, reduced hours</li> <li>• Loss of employment due to childcare requirement as a result of the disease</li> <li>• Own a business that closed or operated under reduced hours due to the disease</li> <li>• Meet a different reason accepted by the IRS</li> </ul>



## How to turn the CARES Act and a volatile market into an opportunity?

## Required Minimum Distributions (“RMDs”) Waived in 2020

- Includes IRAs and employer sponsored plans
- Inherited IRA - RMDs also suspended

## What if RMD was already taken?

- A distribution taken from Feb 1<sup>st</sup>, 2020 through July 15<sup>th</sup>, 2020 can be rolled back into IRA
- What if I take monthly distributions?
- IRA one-rollover-per year rule

# Roth Conversions

- What is a Roth Conversion?
- Why now?
  - Lower tax bracket if income reduced by COVID-19 crisis
  - Best to convert while stock prices low
    - Example
    - Income may be lower this year
    - RSUs, PSUs, bonuses



## Exercising Non-Qualified Stock Options

- Taxable at the time of exercise
- Spread between exercise price and market value taxed as ordinary income
- Hold vs. Sell

# Employee Stock Purchase Plan (ESPP)

- If you can afford it, contribute the max
- Increase income in a year where income may be lower
- When market turns around, benefit from a look-back provision

# Tax Loss Harvesting

- 10-Year Bull Market
- If low, or \$0 basis, may be able to diversify concentrated positions with no tax impact
- Highest tax bracket (IRS and CA), pay 37.1% Long-Term Capital Gain tax

## Most important

- Talk to your financial advisor
- Revisit your financial plan
- Think long-term

# Q&A

Thank you for joining us today!





# Summitry's Response to COVID-19



Help us  
magnify  
our impact!

