

The Navigator

A QUARTERLY NEWSLETTER FROM THE COMPASS WEALTH GROUP

CARES ACT PROVIDES RELIEF TO INDIVIDUALS AND BUSINESSES

On Friday, March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. This \$2 trillion emergency relief package is intended to assist individuals and businesses during the ongoing coronavirus pandemic and accompanying economic crisis. Major relief provisions are summarized here.

UNEMPLOYMENT PROVISIONS

The legislation provides for:

- An additional \$600 weekly benefit to those collecting unemployment benefits, through July 31, 2020
- An additional 13 weeks of federally funded unemployment benefits, through the end of 2020, for individuals who exhaust their state unemployment benefits
- Targeted federal reimbursement of state unemployment compensation designed to eliminate state one-week delays in providing benefits
- Unemployment benefits through 2020 for many who would not otherwise qualify, including independent contractors and part-time workers

RECOVERY REBATES

Most individuals will receive a direct payment from the federal government. Technically a 2020 refundable income tax credit, the rebate amount will be calculated based on 2019 tax returns filed (2018 returns in cases where a 2019 return hasn't

been filed) and sent automatically via check or direct deposit to qualifying individuals. To qualify for a payment, individuals generally must have a Social Security number and must not qualify as the dependent of another individual.

The amount of the recovery rebate is \$1,200 (\$2,400 if married filing a joint return) plus \$500 for each qualifying child under age 17. Recovery rebates are phased out for those with adjusted gross income (AGI) exceeding \$75,000 (\$150,000 if married filing a joint return, \$112,500 for those filing as head of household). For those with AGI exceeding the threshold amount, the allowable rebate is reduced by \$5 for every \$100 in income over the threshold.

Rebate Amounts and Phaseout Ranges:

Filing Status	Payment Amount	Phaseout Threshold	Phaseout Completed
Married filing Jointly	\$2,400	\$150,000	\$198,000
+1 Child	\$2,900	\$150,000	\$208,000
+2 Children	\$3,400	\$150,000	\$218,000
Head of Household	\$1,200	\$112,500	\$136,500
+1 Child	\$1,700	\$112,500	\$146,500
+2 Children	\$2,200	\$112,500	\$156,500
All Others	\$1,200	\$75,000	\$99,000

While details are still being worked out, the IRS will be coordinating with other federal agencies to facilitate payment determination and distribution. For example, eligible individuals collecting Social Security benefits may not need to file a tax return in order to receive a payment.

RETIREMENT PLAN PROVISIONS

- Required minimum distributions (RMDs) from employer-sponsored retirement plans and IRAs will not apply for the 2020 calendar year; this includes any 2019 RMDs that would otherwise have to be taken in 2020
- The 10% early-distribution penalty tax that would normally apply to distributions made prior to age 59½ (unless an exception applies) is waived for retirement plan distributions of up to \$100,000 relating to the coronavirus; special re-contribution rules and income inclusion rules for tax purposes apply as well
- Limits on loans from employer-sponsored retirement plans are expanded, with repayment delays provided

STUDENT LOANS

- The legislation provides a six-month automatic payment suspension for any student loan held by the federal government; this six-month period ends on September 30, 2020
- Under already existing rules, up to \$5,250 in payments made by an employer under an education assistance program could be excluded from an employee's taxable income; this exclusion is expanded to include eligible student loan repayments an employer makes on an employee's behalf before January 1, 2021

BUSINESS RELIEF

- An employee retention tax credit is now available to employers significantly impacted by the crisis and is applied to offset Social Security payroll taxes; the credit is equal to 50% of qualified wages up to a certain maximum

- Employers may defer paying the employer portion of Social Security payroll taxes through the end of 2020 and may pay the deferred taxes over a two-year period of time; self-employed individuals are able to do the same
- Net operating loss rules expanded
- Deductibility of business interest expanded
- Provisions relating to specified Small Business Administration (SBA) loans increase the federal government guarantee to 100% and allow small businesses to borrow up to \$10 million and defer payments for six months to one year; self-employed individuals, independent contractors, and sole proprietors may qualify for loans

PRIOR LEGISLATIVE RELIEF PROVISIONS

Signed into law roughly two weeks prior to the CARES Act, the Families First Coronavirus Response Act (FFCRA) also included relief provisions worth noting:

- Requirement that health plans cover COVID-19 testing at no cost to the patient
- Requirement that employers with fewer than 500 employees generally must provide paid sick leave to employees affected by COVID-19 who meet certain criteria, and paid emergency family and medical leave in other circumstances
- Payroll tax credits allowed for required sick leave as well as family and medical leave paid

There is likely to be a steady stream of guidance forthcoming with details relating to many of these provisions, so stay tuned for more information. We're here to help and to answer any questions you may have.



COPING WITH MARKET VOLATILITY: AVOID RASH DECISIONS

If you've been watching the market lately, perhaps the first question on your mind is, "Should I make a big change in my investments?" In reality, a volatile market isn't the best time to do a complete makeover of your portfolio, especially if you have long-term financial goals you're trying to address. Even if you feel that your portfolio needs adjusting, maintaining a firm grasp on your fundamental investment strategy can help you be more thoughtful about making any changes.

Think of each investment as a tool in your investing tool kit, and your asset allocation strategy as your blueprint. Some investments are generally designed to pursue long-term growth, others to provide income, and still others to represent stability. Each is valuable in its own way, but it doesn't make sense to use a hammer to remake your portfolio if what you really need is a screwdriver to make minor adjustments. Don't randomly abandon one investment for another unless you know its intended role in your portfolio, whether that role is still appropriate, and the pros and cons of any replacement you're considering.

Remember that diversification can help offset the risks of certain holdings with those of others. When one type of investment is losing ground, another may be gaining or holding steady.

Diversification and asset allocation cannot ensure a profit or guarantee against a loss, but they can help you understand and manage investment risk.

In these uncertain times, it's easy to let fear guide your decision making. But when it comes to your investments, a more rational outlook may be your strongest ally. We're here to help and to answer questions.

Although there is no assurance that working with a financial professional will improve investment results, a professional can evaluate your objectives and available resources and help you consider appropriate long-term financial strategies.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

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Cheyenne Office

5920 Yellowstone Rd, Ste 3

Cheyenne, WY 82009

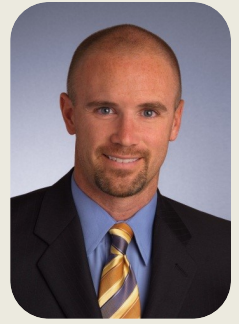
T: (307) 635-6644

F: (307) 635-0695

Randy Halfpop, CFP®, M.S.

Owner - Financial Advisor

randy.halfpop@raymondjames.com



Brian Eilers, CFP®, CIMA®

Owner - Branch Manager

brian.eilers@raymondjames.com



Cherie Przymus, FPQP™

Financial Advisor

Client Service Manager

cherie.przymus@raymondjames.com



Kyle Uhlenhopp

Financial Advisor

Client Service Assistant

kyle.uhlenhopp@raymondjames.com



Jess Ryan, AIF®

Financial Advisor

jess.ryan@raymondjames.com



Troy Kimball, CFP®

Certified Financial Planner™

troy.kimball@raymondjames.com