

March 31, 2020

CARES Act passes

From rebate checks to small business support, there's a lot packed into the Coronavirus Aid, Relief, and Economic Security (CARES) Act that was signed into law on Friday. The \$2+ trillion emergency fiscal stimulus package is intended to mitigate some of the economic effects of dealing with COVID-19.

Here's a look at some of the key provisions.

1. **A check** – Based on income and family makeup, most Americans can expect to receive \$1,200 individually (\$2,400 for joint filers) and \$500 per dependent. Amounts phase out for those who reported adjusted gross incomes over \$75,000 for individuals and \$150,000 for joint filers in 2018 or 2019.
2. **A buffer** – The CARES Act eliminates the 10% early withdrawal penalty for coronavirus-related distributions from retirement accounts. Withdrawn amounts can be repaid to the plan over the next three years. In addition, required minimum distributions (RMDs) are waived for 2020. Investors who have already taken an RMD for 2020 have options that may include returning the amount or rolling it over, as long as the distribution was not made from a beneficiary IRA.
3. **Support for small businesses** – In the form of more than \$350 billion, including forgivable loans (up to \$10 million) to help keep the business afloat, a paycheck protection plan and grants.
4. **Expanded unemployment benefits** – Unlimited funding to provide workers laid off due to COVID-19 an additional \$600 a week, in addition to state benefits for up to four months. This includes relief for self-employed individuals, furloughed employees and gig economy workers who have lost work during the pandemic.
5. **Fortified healthcare** – \$100 billion is allocated to hospitals and other health providers to help offset costs and provide relief. In addition, the legislation provides funding for numerous other areas including state and local COVID-19 response measures, an increase to the national stockpile for medicine, protective equipment, medical supplies and additional FEMA disaster relief funding.
6. **Enhanced education** – \$30 billion to bolster state education and school funding, as well as the deferral of federal student loan payments through the end of September.
7. **State and local government funding** – \$150+ billion allocated to “state stabilization funds” to combat the pandemic and economic crisis and provide supplemental funding for joint state-federal programs like unemployment compensation and Medicaid.
8. **Other provisions** – A \$500 billion buffer for impacted and distressed industries and general economic support, with loan guarantees for medium to large businesses, as well as states and municipalities. This includes specific provisions for airlines, air cargo and national security organizations. The Economic Stabilization Fund is intended to provide loan support for businesses/nonprofits

between 500 and 10,000 employees with the interest rate capped at 2% and forbearance on federally backed loans for 60 days.

What's next? Treasury Secretary Steven Mnuchin has targeted early April to deliver the funds. Discussions are starting in D.C. around a possible next phase of economic relief, although it's just talk for now.

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