



# THE STRATEGIC VIEW



## JAY'S VIEW

Dear Friends;

Have you noticed anything different about the world lately? After a terrific start to the year in almost every way, the world and our country has been turned upside down. Who would have ever thought that a hug or a handshake would become taboo? Who knew what social distancing was? Who knew that students all over the country would become virtual learners? Who thought the staff at IFS would need to work from home? Our lives are different for now, but I am not one that believes this is now the new normal. Some things will have to change and hopefully for the better but not everything will. This version of the newsletter will be dedicated to the Coronavirus (COVID-19).

Here are five topics to hopefully pick up your spirits;

1. **Take a breath:** Since we all have less meetings to attend, sports games to watch, concerts to listen to, shopping to enjoy, and fewer people to annoy us, let's all take a deep breath. Many of the things in your life right now are not under your control. Focus on the things you can control.
2. **Surround yourself with positive people:** There is so much negative in the world right now it is hard for even an optimist to stay positive. How do you sur-

round yourself with positive people in today's socially distance six foot rule? Find friends, family, co-workers, and church members that make you feel good after you speak with them. Use Skype, Zoom, Facebook, LinkedIn, or try using your cell phone for how it got its name.

3. **Our future is very bright:** We will get through this. Some of us will be through it before others, but we will all get through it. We are already seeing some of those signs. Start crafting your "big fish" story to tell others how you survived the virus of 2020.
4. **Do not watch the stock market every day:** I am recommending that you do not look at your first quarter/March investment statements. The market will come back. If we have done our job for you, we will be back on plan soon.
5. **Pray:** Our government leaders, doctors, nurses, healthcare workers, grocery store employees, restaurant team members, and other essential workers deserve our complete gratitude and prayers.

Stay safe and healthy. Let us know how we can help.

Sincerely,

Jay Wilen





743.0	4239.0	3983.0
335.0	3110.0	3241.0
1.9%	4.5%	3.6%
NMF	4.4%	2.7%
NMF	NMF	NMF

## THE VIEW ON THE CARES ACT

The following is a summary of the CARES Act (Coronavirus Aid, Relief, and Economic Security Act) that was signed into law by President Trump on March 27, 2020. The CARES Act is a \$2.2 trillion program to support Americans in connection with the coronavirus (COVID-19) pandemic.

### Assistance for American Workers and Families

All U.S. residents with adjusted gross income up to \$75,000 for singles (\$150,000 for joint filers), who are not a dependent of another taxpayer and have a work eligible social security number, are eligible for a full \$1,200 “rebate” (\$2,400 for joint filers). In addition, they are eligible for an additional \$500 per qualifying child. This is true even for those who have no income, as well as those whose income comes entirely from non-taxable, means-tested benefit programs, such as Social Security. The rebates are being treated as advance refunds of a 2020 tax credit and taxpayers will reduce the amount of the credit available on their 2020 tax return by the amount of the advance refund payment they receive. For the vast majority of Americans, no action on their part will be required in order to receive a rebate payment as the IRS will use a taxpayer’s 2019 tax return if filed to determine eligibility, or in the alternative, their 2018 return. The rebate amount is reduced by \$5 for each \$100 that a taxpayer’s income exceeds the phase-out threshold. The amount is completely phased-out at \$99,000 for single filers and \$198,000 for joint filers. The deadline for filing an individual’s 2019 income tax return is extended to July 15, 2020.

### Unemployment Insurance Provisions

The Act creates a temporary Pandemic Unemployment Assistance program through December 31, 2020, to provide payment to “covered individuals” who are not traditionally eligible for unemployment benefits, including self-employed individuals, independent contractors, and those who have limited work history because they were unable to work as a direct result of the coronavirus public health emergency. “Covered individuals” include those who are not eligible for regular unemployment benefits and provide self-certification that the individual is otherwise able to work. “Covered individuals” do not include individuals who have the ability to telework with pay (i.e., work from home) or who are receiving paid sick leave or other paid leave benefits. A person may receive benefits under the Pandemic Unemployment Assistance program for up to 39 weeks, which includes any week the person received regular pay or extended benefits under any federal or state program. The Act also provides an additional \$600 per week to each recipient of unemploy-



ment insurance or Pandemic Unemployment Assistance for up to four months ending the week of July 31, 2020. There will also be an additional 13 weeks of unemployment benefits through December 31, 2020 to help those who remain unemployed after state unemployment benefits are no longer available.

### Individual Charity-Related Provisions

The CARES Act allows for an above-the-line deduction up to \$300 for cash contributions to certain charities for those who do not itemize deductions. Also, the Act increases the limitations on deductions for “qualified contributions” by individuals who itemize by suspending the 60% of AGI limitation, meaning up to 100% of AGI may be claimed as a charitable itemized income tax deduction for 2020.

### Student Loan Provisions

The Act suspends student loan payments (principal and interest) through September 30, 2020 without penalty to the borrower for federal student loans. No interest will accrue on these loans during this suspension period. Private loans may have their own policies.

### Business Tax Relief Provisions-Employee Retention Credit

The bill creates a refundable payroll tax credit for 50 percent of wages paid by employers to employees during the coronavirus (COVID-19) crisis. The credit is available to employers whose (1) operations were fully or partially suspended, due to a coronavirus-related shut-down order; or (2) gross receipts declined by more than 50 percent when compared to the same quarter in the prior year. The credit is based on qualified wages paid to the employee. For employers with more than 100 full-time employees, qualified wages are wages paid to employees when they are not providing services due to the COVID-19-related circumstances described above. 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 shut-down order. The credit is provided for the first \$10,000 of compensation, including health benefits, paid to an eligible employee. The credit is provided for wages paid or incurred from March 13, 2020 through December 31, 2020.

### Business Tax Relief Provisions-Delay of Employer Payroll Taxes

Employers generally are responsible for paying a 6.2-percent Social Security tax on employee wages, and the bill allows employers and self-employed individuals to defer payment of the employer share of the Social Security tax they otherwise are responsible for paying to the federal government with respect to their employees. The provision requires that the deferred employment tax be paid over the following two years, with half of the amount required to be paid by December 31, 2021 and the other half by December 31, 2022.

### Retirement Plan Provisions

Since the due date for filing federal income tax returns for 2019 has been postponed to July 15, 2020, the deadline for making contributions to your IRA for 2019 is also ex-



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tended to July 15, 2020. The CARES Act permits withdrawals of up to \$100,000 of in-service distributions, provides an exception to the 10% early distribution penalty, exempts the distribution from the mandatory 20% withholding applicable to eligible rollover distributions, allows the individual to include income attributable to the distribution over a three-year period, and allows for the re-contribution of the distribution to a plan or IRA within three years. Required Minimum Distributions (RMD's) for 2020 have been suspended.

### Keeping American Workers Employed and Paid Act

One of the important cornerstones of the CARES Act is what is described in the bill as the "Paycheck Protection Program (PPP)." The Act allows the use of the Small Business Administration 7(a) loans for "payroll support," which includes paid sick or medical leave, employee salaries, mortgage payments, rent payments, insurance premiums and other debt obligations. Under the CARES Act, the loan period for this program starts on February 15, 2020, and ends on June 30, 2020. The program generally only covers businesses with fewer than 500 employees. To determine whether a business is eligible for this program, the CARES Act requires lenders to ascertain: (1) whether a business was operational on February 15, 2020, (2) whether the business had employees to whom it paid salaries and payroll taxes, or paid independent contractors, and (3) whether the business was substantially impacted by COVID-19. The legislation also gives more authority to lenders regarding eligibility determinations without having to run those determinations through the normal SBA approval channels.

Businesses eligible for the expanded 7(a) loans under the CARES Act include small businesses, nonprofits and veterans organizations with 500 or fewer employees. During the covered period, individuals who operate under a sole proprietorship or as an independent contractor and eligible self-employed individuals shall be eligible to receive a covered loan. CARES Act says that the allowable uses of 7(a) loans include salary, wages, commissions, tips, paid leave, healthcare payments and retirement benefit payments. It is important to note that allowable payroll costs do not include compensation to an individual employee in excess of an annual salary of \$100,000 as prorated for the covered period. Qualified sick leave or family leave wages for which a credit is allowed under the Families First Coronavirus Response Act are not included in the allowable uses. It also does not include any compensation for an employee whose principal place of residence is outside of the United States.

One of the most important aspects of the CARES Act is that the 7(a) loans are non-recourse, except if the proceeds are used for an unauthorized purpose. In addition, no personal guarantee or collateral are required. That said, "Good Faith" certification is required and certification has the following elements:

- The current uncertainty makes the loan necessary to support ongoing operations;
- The funds will be used to retain works and maintain payroll or make mortgage payments, lease payments, and utility payments;
- There are no duplicative amounts.

One of the most important aspects of the program is the way in which loan principal can be forgiven. Under the terms of the legislation, principal can be forgiven in an amount equal to the following costs incurred during the covered period of February 15, 2020 through June 30, 2020: payroll costs, mortgage payments, rent payments, and utilities. Any amounts forgiven will be reduced proportionally by any reduction in the number of employees retained compared to the prior year and reduced by the reduction in pay of any employee beyond 25 percent of their prior year compensation. Borrowers that re-hire workers previously laid off will not be penalized for having a reduced payroll at the beginning of the period. Most importantly, indebtedness cancelled will not be included in the borrower's taxable income.



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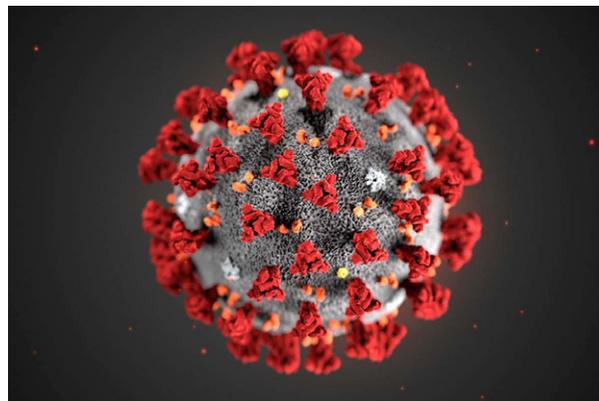
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