Building financial immunity amidst a global pandemic may seem quite difficult to achieve. At GenTrust, we strive to ensure our clients are prepared for unprecedented circumstances in every aspect of their financial lives, beginning with goal planning and risk assessment all the way through to estate planning. The unforeseen circumstances brought on by the coronavirus ("COVID19") pandemic has emphasized the importance of planning for your future and legacy. Below, we discuss the key questions and elements that we believe should be considered when analyzing your current financial state.

You have built your financial life. Will your estate and legacy be protected and distributed as desired?

- Specifically during these times, we are reminded that anything can happen unexpectedly. Do you have your basic estate planning documents in order?
- Is your estate set up in the most tax efficient manner?
- Have you reviewed the titling of your assets as well as the beneficiaries you have across all accounts and assets?

Is cash really king and how much should I have available?

- Cash may not always be what is seems. Not all cash is cash. Cash in most savings accounts at banks are FDIC insured up to $250,000 per person and $500,000 per joint account[1]. Although we believe banks to be much healthier now than in the 2008 crisis, the FDIC does not insure amounts above the $250,000 / $500,000 levels. Cash held in money market funds are usually higher yielding, maintain daily liquidity and are invested in short-term securities. While money market instruments are not FDIC insured, securities in money market funds issued by the US Treasury, are backed by the same entity that backs the FDIC, the US Government.
- Generally, the rule of thumb is to have 6-9 months of living expenses set aside as an emergency fund, but we also suggest increasing that amount to provide additional liquidity for unforeseen circumstances or potential opportunities.

Should I be reviewing my liabilities?

- With rates dropping to historic lows, one should analyze their current loans to see if it will be beneficial to refinance.

How much are you paying for insurance coverage and who benefits?

- We recommend clients review their insurance coverages including life insurance terms and beneficiaries. There have been several insurance companies that have increased insurance premiums due to the volatility in the market.

Have you funded your children's 529 plan?

- In our view, the drawdown experienced in March 2020 presented an opportunity to fund a 529 at an attractive entry point.
- Plan funding rules allow for five years' worth of contributions, upfront, contributing up to $75,000 per person or $150,000 if married. Investors should consider pre-funding a 529 plan especially when there is a market drawdown to take advantage of the discounted valuations and tax-free growth[2].

Given the distraction caused by COVID19, we thought it would be important to highlight some changes that were written into the Setting Every Community Up for Retirement Enhancement (SECURE) Act which went into law Jan 1, 2020[3].

- Required Minimum Distributions ("RMDs") are extended to age 72 for first distributions; if you have already begun taking your RMD's you should continue to do so
- You can now contribute to an IRA past age 70.5 as long as you are still working [Similar to 401k's & ROTH IRA's]
- Business owners should be aware that part time workers may now be eligible to participate in employer 401k plans. Previously, employees had to work a minimum of 1,000 hours in one year to qualify, however you can now qualify if you have worked 500 hours over 3 consecutive years

[1] *Federal Deposit Insurance Corporation, Deposit at a Glance, Last Accessed May 28th, 2020, https://www.fdic.gov/deposit/deposits/brochures/deposit-insurance-at-a-glance-english.html*
[2] *An Alternative to 529 Plan Superfunding, https://www.savingforcollege.com/article/an-alternative-to-529-plan-superfunding, Last Accessed May 28th, 2020*
[3] *Congress.gov, https://www.congress.gov/bill/116th-congress/house-bill/1994/text, Last accessed on May 28th, 2020*

- The Stretch IRA is effectively eliminated for non-spouse beneficiaries of retirement plans. Beneficiaries must now withdraw funds over a 10 year maximum period, replacing the former rule which was over the lifetime of the beneficiary. This will pull forward more taxable income in a shorter window of time

- 529 plans can now be used to pay down student loans for up to $10,000

Lastly, we wanted to highlight some benefits that came into effect under the Coronavirus Aid, Relief, and Economic Security (CARES) Act[4], with the goal to help your financial life as a result of the aftermath of COVID19.

- Tax Deadline Extension: Income tax filing deadline was extended to July 15th, 2020 (although there is a possibility that it may be further extended to September 15th or even December 15th, 2020). This would allow you to make 2019 contributions through the new tax filing deadline.

- Required Minimum Distribution's [RMD] from retirement plans are eliminated for 2020

- Distributions can be taken from retirement plans without the normal 10% early withdrawal penalty, up to $100,000, if the retirement account holder can prove a valid COVID19 related reason such as:
  - Being diagnosed with COVID-19
  - A spouse or dependent diagnosed with COVID-19
  - Experiencing loss of employment, layoff, furlough or lack of childcare due to COVID-19

- Distributions will still be subject to income taxes, however in a COVID-19 related case (as previously outlined), the tax payment may be made over a three year period. You also have the option to re-deposit the distribution to avoid paying the income taxes.

- Charitable contribution deductions have increased:
  - Individual donors can deduct up to 100% of their adjusted gross income (AGI) vs. 60% for cash contributions
  - Corporate donors can deduct up to 25% of their taxable income vs. 10%

- Loan Features: Prior to the CARES Act, loans on workplace retirement accounts (401k, 403b, 457 plans) were limited to the lesser of 50% of the vested balance or $50,000. For most of 2020, the CARES act increases this to 100% of the vested balance or $100,000, whichever is less[5].

Given the recent changes we have outlined in this document as a result of the coronavirus, we recommend you review your current financial plan and consider taking advantage of these potential opportunities. Please contact your GenTrust advisor to help with any questions through these challenging times.

[4] *US Department of the Treasury, The CARES Act works for all Americans, https://home.treasury.gov/policy-issues/cares, Last accessed on May 28th, 2020*
[5] *Please consult with your specific retirement plan sponsor(s) as the CARES act does not require retirement plan sponsors to follow the new law.*

Important Disclosures