

Guide to Developing Your ‘Plan B’ – Financial Planning During COVID-19

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Getting your financial house in order (building the roadmap) – The Why

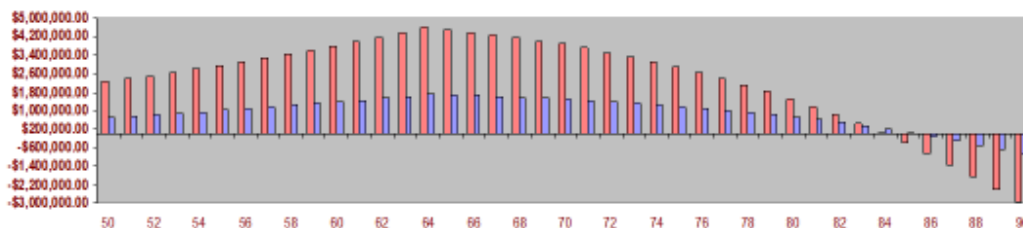
Step 1 – Build a balance sheet, review all assets & all liabilities. *Do they align with your values?*

Step 2 – Build a budget, review all income & all expenses. *What is flexible and/or can be pivoted?*

Step 3 – Have this information put into a written plan where you can visually see what’s going on. *Bring the numbers to life.*

“The Planning Process”

- Key Planning Considerations:
 - 30 year accumulation phase converting to a 30 (or longer), inflation adjusted, distribution phase. Build the balance sheet & cash flow projections.
 - Based on some basic assumptions we create a comprehensive road map.
 - Goal based planning, as life changes so does your plan.
- Potential Risks & Opportunities
 - Save 4,00,000 by age 65, out of funds at age 85.
 - Solutions, increase return, save more or spend less.
 - Run multiple scenarios and create optimized situation.
 - Strategies that left a legacy at age 82, creates poverty with a life span of 90+.



CARES ACT 2020 – Updates

- Under the CARES ACT, 2020 RMD's (Required Minimum Distributions) were waived for retirement accounts.
- Hardship withdrawals up to 100K due to COVID are now allowed with a 3-year payback period. **Tip #1**
- Student loan payments were waived, review with Student Loan Service Company and ask about options. **Tip #2**
- Mortgage forbearance, what are the pitfalls.
- Charitable contribution in "Cash" for 2020 at 100% AGI limit.

Credit Management

- Review your credit cards, possibly look to consolidate. On existing credit cards, you can call and ask to increase credit limits slowly over time to increase your debt utilization ratios.
- Use an app to start monitoring your scores, pay credit card balances down to keep debt utilization ratios below 30%, ideally below 10% for best credit scores. **Tip #3**
- If all else fails, hire a credit repair service to help fix your scores and check your credit repair once per year to check for any errors, you get 1 free report every 12 months from the three agencies.

Debt Management

- Review car loans, leases and any other revolving or fixed rate debt to see if you can refinance or get lenders to reduce rates.
- Review primary home loan rate, rental property or investment property mortgage rates. Review the possibility of a refinance and or a recast. Many consumers are not aware you can recast loans and get better interest rates. **Tip #4**
- My advice also included proactively contacting landlords, mortgage companies, student loan servicers, automobile financing companies, credit card companies, and other service providers to request deferments on payments and/or waivers of late payment fees/penalties in the wake of COVID-19. Learn the new Rent laws.
- In an emergency, I recommended immediately suspending payments on non-essential services, such as web services, auto-delivery services of luxury items, and signing up for delivery of essential items like water and food.

Estate Planning

- Current estate exemptions are historically high and with the current federal deficits the government will at some point in the not too distant future be looking for ways to plug the tax holes. This means both income and estate tax can potentially change.
- Current estate exemption is \$11,580,000 in 2020 for each individual, some states have state estate tax as well CA currently does not. Sunset in 2025 if nothing is done. **Tip #5**
- Gifting & Charitable Planning (CLT, GRAT, Non-Grantor trust).
- Capital gains tax & potential loss of step-up in basis.
- Income tax planning – The CA migration, what can be done. Residency planning & Domicile.
- Selling a business, liquidity events, death, divorce and life events. Planning is even more key now that we could have changes.

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