

Tools for Managing Your Finances During the COVID-19 Pandemic



Web page w/ links, info
<https://bit.ly/KarenTools>
Download handout
<https://bit.ly/COVIDHandout>

About Karen Chan



- 27 years providing unbiased financial education
- A Certified Financial Planner™ who does not take clients – education only
- Does not sell any financial products or services

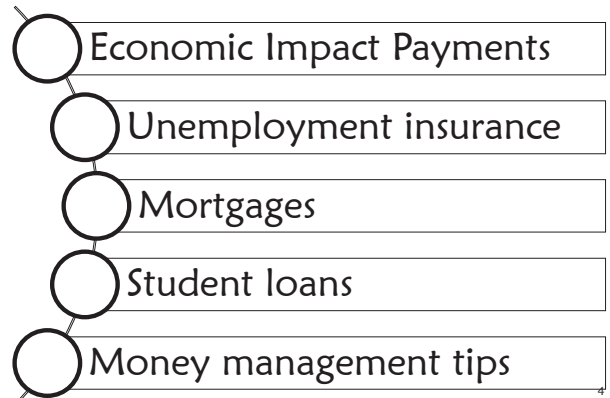
2

Goals

- Become familiar with various assistance programs established by the Federal government
- Understand advantages and disadvantages, or ways to get the maximum benefit
- Get tips for managing your money during times of uncertainty

3

Programs we will cover



4

Economic Impact Payments

Rebates
Stimulus payments

5

How much could you get?

- \$1200 each for taxpayer and spouse if filing jointly.
- \$500 per dependent child aged 16 or younger
 - Dependent children 17 and older don't qualify.
 - If become independent in 2020, may get \$1200 when file taxes

6

Income eligibility

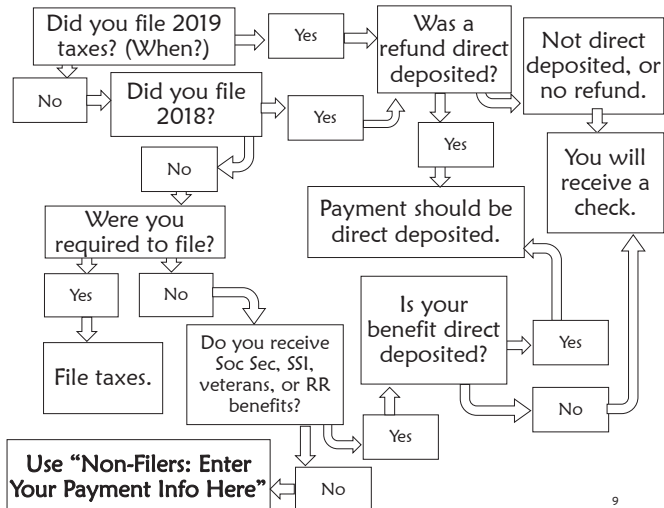
| Filing status | Full payment if AGI below: | No payment if AGI above: |
|-------------------------------------|----------------------------|--------------------------|
| Single or married filing separately | \$75,000 | \$99,000 |
| Head of household | \$112,000 | \$136,500 |
| Married filing jointly | \$150,000 | \$198,000 |

Payment reduced by 5% of amount over the max full payment amount.

7

How Will You Get Your Payment?

8



9

Web sites

- “Get My Payment” & Non-filers tools:
<https://www.irs.gov/coronavirus/economic-impact-payments>
- Economic Impact Payments general Q&A
<https://www.irs.gov/coronavirus/economic-impact-payment-information-center>
- FAQs about payment status, issues with address or bank account info
<https://www.irs.gov/coronavirus/get-my-payment-frequently-asked-questions>

10

If you're ineligible & received payment in error, return it.

- Died before receiving (Q10)
- Aliens who are not qualifying resident aliens for 2020 (Q11)
- Incarcerated (Q12)
- How to return (Q54)
- <https://www.irs.gov/coronavirus/economic-impact-payment-information-center>

11

The final remedy...

- Receive (additional) payment when file 2020 taxes.
 - If you didn't receive full amount
 - If a birth or lower 2020 income qualifies you for more than received
- You do not have to repay if qualify for less in 2020.

TIP: Keep the mailed notice about your payment in your tax file.

12

Unemployment Insurance

Expanded Benefits Paid by Federal Government

13

Expansions (1)

- **Pandemic Unemployment Compensation (PUC)**
 - Additional \$600/week through July 31
- **Pandemic Emergency Unemployment Compensation (PEUC)**
 - Additional 13 weeks of benefits after state's 26 weeks. Ends 12/26/2020.
- **Partial benefits** when moved to part time work (Short time, work sharing)

14

Expansions (2)

Pandemic Unemployment Assistance (PUA)

- Not normally eligible or exhausted state benefits, incl. self-employed, part time workers, or short work history

15

Expansions (3) – PUA cont'd

- Partially or fully unemployed OR
- Unable & unavailable to work because of COVID-19 impacts
 - https://bit.ly/NELP_Unemployment
- Retroactive benefits to Jan. 27, 2020. Ends Dec. 31, 2020
- IL is now processing these claims.

16

Unemployment Tips

- Trouble getting through? Your claim will be backdated to the date you became unemployed.
 - Illinois FAQ covering regular Unemployment and COVID-19
 - <https://bit.ly/IL-UE-FAQ-COVID19>
- TIP: Benefits are taxable. Withhold from benefit or pay estimated tax.*

17

Mortgage Relief

Your must **REQUEST** forbearance

18

Forbearance of payments

<https://bit.ly/CRMortgageRelief>

- For Federally owned, backed mortgages
 - <https://bit.ly/WhoOwnsMyMortgage>
- If you experience financial hardship due to pandemic; no other documentation
- Pause or reduce payments
- 1st request: up to 180 days (6 months)
 - Extension: up to another 180 days
- **NO ADD'L INTEREST, FEES, PENALTIES**

19

Privately-held mortgage? Other bank products?

- Contact your bank or loan servicer.
- Forbes list of accommodations and how to contact
<https://bit.ly/BanksCOVID19Relief>

20

Tips

- Continue paying if you can.
- Stop forbearance if you become able to make payments.
- Ask how tax & insurance escrow payments will be handled.
- Ask how/when missed payments are made up:
 - Balloon payment when forbearance ends?
 - Larger payments for a certain period?
 - Added to end of the mortgage?

21

Student Loan Relief

<https://studentaid.gov/announcements-events/coronavirus>

22

Automatic – no action needed

- March 13 to Sept. 30, 2020
- Forbearance – payments suspended
- 0% interest
- **Suspended payments count toward:**
 - Public Service Loan Forgiveness
 - Forgiveness at end of income-driven payment plan
 - Rehabilitation of defaulted loan

23

Eligible Loans

- Defaulted and non-defaulted
 - Direct Loans
 - FFEL Program loans
 - Federal Perkins Loans
- **EXCEPT:**
 - Some FFEL loan owned by commercial lender
 - Some Perkins loan owned by ed institution

24

Are your loans owned by Education Dept.?

- Log in [StudentAid.gov/login](https://studentaid.gov/login) using FSA ID; [StudentAid.gov](https://studentaid.gov) dashboard
- Click on “view details” to go to Aid Summary.
- Scroll down to “Loan Breakdown.”
- If you see a servicer name that starts with “DEPT OF ED,” that servicer is for a loan that is owned by ED.

25

Consolidating ineligible loans will make them eligible. But consider:

- Lose lender’s interest reduction based on payment history
- Unpaid interest capitalized = higher interest, payments in future
 - Matters most if on standard repayment
- Lose special Perkins protections
- If working toward Public Service Loan Forgiveness, payments prior to consolidation no longer count

26

Tips: Income-driven payment plans

- Lost job? Income dropped? Request recalculation of payment amount before end of forbearance.
- Regular recertification date will be postponed for 6 months.
- If you expect to have loan forgiveness at end of 20/25 years, no benefit to making voluntary payments.

27

Voluntary payments

- Applied 100% toward principal, after any pre-March 13 interest is paid.
- Useful for borrowers on standard repayment plans, where you will pay off the entire balance.
- Payments now will reduce future interest, allowing you to pay off more quickly

28

Other assistance for students & borrowers

29

Private Loans & Federal Loans not Covered by the CARES Act

- April 21: Governor Pritzker announced an agreement with 20 loan servicers to provide relief such as a minimum 90 days forbearance, waiver of late fees, etc.
- Borrowers were instructed to contact their loan servicers to identify options.

30

Emergency Financial Aid

- If a school participates in federal student aid programs, they have access to funds for emergency grants to students.
- For expenses related to disruption of campus operations due to COVID-19.
 - Incl. food, housing, health care, child care.
- School sets criteria, amount.
- Contact your financial aid office.

31

Tips for Managing Your Money

32

Credit Reports

- Should be reported as current:
 - Mortgages in forbearance
 - Student loans in forbearance
 - Other debts with payment agreements made between Jan. 31, 2020 until 120 days after national emergency declared over
- Verify by using free weekly credit reports through April 2021
<https://www.annualcreditreport.com/>

33

Cash is king. Hang onto it.

- Uncertain times.
- Emergency fund
 - No strings
 - Keep separate from money for daily expenses, bills.
- Lets you avoid additional debt, and get back on your feet faster.
- Credit lines are not guaranteed
- Consider minimum payments.

34

Pandemic offers ways to find cash to save.

- Student loan payments suspended
- Unemployment may be more than regular income until July 31
- Expenses that are less during pandemic
 - Eating out
 - Gym membership
 - Auto insurance
 - Transportation

35

Reduce other expenses.

- Even if your income is stable for now, have a plan to ↓ expenses.
- Easier to make decisions when you aren't under pressure.
- Enables you to react more quickly, wisely when the need arises.
- Nothing wrong with reducing expenses now!

36

Make changes sooner than later.

- People take 6 months to adjust to reduced income, on average.
- Each month spending exceeds income = adding debt or eating into savings.
- Adjusting quickly means easier to recover later: less debt.

37

If you can't pay everything, prioritize.

- Family's safety & wellbeing.
- Don't decide based on who's calling to demand payment.
- Weigh impact of not paying.
 - Repossession of car vs late fee, negative credit report for not paying credit card
- Use non-cash resources – food bank
- Apply for aid: SNAP

38

If you can't pay, call.

- Call ASAP.
 - CARES Act: If current when receive accommodation, reported as current from 1/31/2020 until 120 days after national emergency declared over.
- Calculate how much you *can* pay.
- Ask them to work with you.
 - Waive late fee, interest
 - Reduce interest or payments
 - Suspend payments
- FOLLOW THROUGH

39

Think twice before raiding your 401(k)

1. You can borrow more from 401(k) through 9/27/2020; payments delayed.
 2. IRA, 401(k): "Coronavirus-Related Distribution"
 - 3 yrs to replace. Otherwise, income tax but no 10% early distribution penalty.
- Last resort.
 - Job security? Can't repay? Taxable income + 10% penalty for loan <59½.
 - Protected asset re: creditors, bankruptcy

40

Scammers love uncertainty & fear.

- More vulnerable when we're worried, exhausted.
- "If it's too good to be true..."
- Verify claims. Don't be pressured.
 - Caller from bank, IRS: look up legit phone # and call them back.
 - Fee to get something you're entitled to: look up the rules or ask around
 - Secret cure, gov't doesn't want you to know: hang up, stop reading. Facebook – report ads, mark no more ads like this

41

**Karen
Chan**

Financial Education & Consulting, LLC

For links to resources or to sign up for quarterly notices of upcoming workshops: <https://karenchanfinancial.com/> and click on "COVID-19 & Your Finances" tab.

Copyright 2020, Karen Chan Financial Education & Consulting, LLC

42