



## Smart Financial Moves During the COVID-19 Crisis

Take steps to protect your finances.

As we all go through these difficult times nationwide and around the world, we must stay positive and look for ways to be proactive with our finances. Consider taking the time to review your situation and create a plan. Here are a few ways that you can protect your finances and look to the future in tough economic times.

### HOW WE CAN HELP

A Money Coach can help you or a member of your household do the following:

-  Find ways to build emergency savings
-  Create a recovery plan
-  Determine whether it makes sense to refinance
-  Understand the types of insurance you need to protect you and your loved ones

### GET STARTED

Talk with a Money Coach today how to take steps to protect your finances.

 800-321-2843 | Monday-Friday, 7:30AM -6:30PM PST



### Government Stimulus

U.S. lawmakers passed a \$2 trillion [Coronavirus Aid, Relief & Economic Security Act](#) (CARES Act) in response to the coronavirus pandemic. There are incentives for employers to avoid layoffs and retain employees. It also contains one-time stimulus payments of up to \$1,200 for adults and \$500 per child. The eligibility is based on adjusted gross income (AGI) from your 2018 tax return or 2019 tax return if you have already filed. Taxpayers making up to \$75,000 single and \$150,000 married, can expect a payment, along with \$500 for each child under 16. If your income is higher than that, there's a phaseout up to \$99,000 single and \$198,000 for a couple, in which you may receive a smaller payment but at least get something. It's important to direct these funds toward your greatest financial need, whether it's paying essential bills or setting it aside for future use. If you filed your taxes for 2018 or 2019, you should automatically receive the stimulus payment if you are eligible. Keep in mind that the eligibility for this stimulus check does not consider your



income for 2020. However, if you did not qualify for the stimulus check because of your income, but you have since suffered a job loss due to the pandemic, be sure to [apply for unemployment](#), which has been expanded to include self-employed workers, contract workers and even freelance workers who perform jobs that are a large part of the U.S. economy.

### **Tight Finances Require Budgeting**

As the backbone to any financial planning for your future, budgeting is important in good times and in bad times. The discipline and consistency of budgeting help you achieve your goals and maintain your household. Due to stay-at-home orders, many people are benefiting from a reduction of expenses related to commuting, entertainment costs or eating out. If you are able to cut expenses by staying at home, commit to using that money to either build up your emergency savings or pay down debt. If your income has been affected by COVID-19, seek ways to replace your income like [applying for unemployment](#) as well as getting creative, maybe even looking for ways to supplement your income by working from home.

### **Build or Increase Your Emergency Savings**

Unfortunately, there is no way to determine the duration or total impact of COVID-19. However, the financial fundamentals still prevail, such as building emergency savings, keeping bills paid on-time, and preparing for the unknown. It always makes sense to have emergency funds. If your employment has been impacted or you're in an industry that may sustain layoffs, prepare yourself by boosting your savings as much as possible.

### **Low Interest Rates — Consider Refinancing**

Interest rates have decreased to record lows by the Federal Reserve. If you would have refinanced before the COVID-19 event, and your employment is stable, consider whether it makes sense to refinance your mortgage, personal loan or car loan. It can be more challenging to refinance when there's a reduction or loss in income, but it is not impossible, depending on the sources of income that you can document. You may be able to get a lower interest rate, a lower payment, or simply pay off a loan faster.

### **Avoid Withdrawing Funds from Your Retirement Savings**

Only consider taking money out of a retirement plan like a 401(k) if it is a last resort to sustain your essentials, like paying your rent or mortgage, or buying food. Know if you are eligible for a 401(k) withdrawal, such as a hardship or in-service withdrawal. If you take a withdrawal, be aware of the tax consequences. The CARES Act waives the early withdrawal penalty for distributions up to \$100,000 as long as the purpose of the withdrawal is related to coronavirus (COVID-19). You will be subject to tax on the withdrawal, but the CARES Act allows you to spread the taxes over three years.

Find out whether you may be able to take a loan instead of a withdrawal. A loan will need to be repaid each pay period, but it avoids the taxation of a withdrawal. The CARES Act increased the maximum limit for loans from \$50,000 to \$100,000. Check with your plan administrator to understand your options. Always get advice from a tax specialist before doing anything that will impact your tax burden for the year.

If you are nervous about the investments in your retirement plan, talk with an investment professional to see if it makes sense to update your plan, but if possible, keep the money in the plan and instead consider re-balancing or re-allocating the investments. Market volatility is normal in investing, and understanding that economic cycles happen every few years will help you focus on the long-term goals of investing in a retirement plan. If you can continue to invest, it means you are purchasing shares in your retirement plan when prices are lower, which balances out over time, as market conditions improve.

### **Maintain Insurance Coverages**

Nothing protects you and your family from risk like insurance does. Even if your finances are tight, protect your home, your vehicle, your possessions and your health. If you have suffered a job loss, see if you qualify for health insurance through [healthcare.gov](#).



If you have loved ones who rely on your income, be sure to carry life insurance — at least enough to cover your family's essential needs should something happen to you. Employers often offer group coverage at very affordable rates.

### Look for Opportunities

If you have stable employment even though you may be working remotely, or if you have money set aside beyond your emergency fund, then consider whether you can increase your monthly contributions into retirement accounts, college savings or continue to save for other goals. If you have discretionary income, then consider whether it makes sense to invest for the long-term and take advantage of lower market prices through a consistent recurring investment strategy (such as dollar-cost averaging) in which you deposit a consistent amount of money into an investment account with each pay period.



## Take Confident Next Steps with My Secure Advantage

For more information and to review your situation with an expert, talk to a Money Coach! They can provide trustworthy and compassionate guidance, and help you create a realistic action plan.

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