

PRINCETON GLOBAL

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April 29th, 2020



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The CARES Act

- Key Provisions of CARES Act
- Focus on Retirement Plans and Distributions
- Quick Review of The Secure Act
- Planning Opportunities

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The CARES Act

The Coronavirus Aid, Relief and Economic Security (CARES) Act

- March 27th, 2020
- Direct Payment Provisions
 - \$1200 per adult and \$500 / child under 17yrs – max \$3,400
 - Available to Eligible Taxpayers AGI up to \$99k (\$198k married)
 - Receive as direct deposit or mailed check



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The CARES Act

The Coronavirus Aid, Relief and Economic Security (CARES) Act

- Preserving Jobs for Americans
 - Provides support to businesses and job creators to support employees
 - Incentivized to keep employees on payroll
 - 50% credit on up to \$10k of wages paid
 - Defer payment of the Employ(er) share of Social Security
 - Defer over 2-year period



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The CARES Act

The Coronavirus Aid, Relief and Economic Security (CARES) Act

- Assistance for Small Businesses
 - PPP – Paycheck Protection Program
 - Provides small businesses with funds to pay up to 8 weeks of payroll costs
 - Can offset interest on mortgages, rent and utilities
 - At least 75% of forgiven amount must be used on payroll



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The CARES Act

The Coronavirus Aid, Relief and Economic Security (CARES) Act

- Assistance for Local and State Governments
 - \$150 Billion in Coronavirus Relief funds
 - Used to cover expenses of necessary expenditures related to Coronavirus
- Extra Unemployment Benefits - \$600/week – 4 months
 - Adds 13 weeks of Unemployment
 - Pandemic Unemployment Assistance – self employed, freelancers and contractors
 - Extension of Tax Filing Deadline to July 15th



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How the CARES Act will Impact retirement plans and distributions

What it Does – Provides for retirement account withdrawals and loan relief

How :

- Postpones Deadlines for making contributions to Traditional and Roth IRAs
 - \$6,000 per Individual
 - \$1,000 catch up contribution if over 50 years of age



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How the CARES Act will Impact retirement plans and distributions

- Waiver of RMD's for 2020
 - Delay Tax Deferral
 - Do not have to take distribution based upon higher account value as of Dec. 31st
 - Can put the money back
 - Will not be included in income so may reduce tax burden
 - Do not have to take 2019 RMDs if you just started
 - No 2020 Year of Death RMD
 - Waiver of Inherited RMDs for 2020 as well
 - 10-year Stretch does not become 11



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How the CARES Act will Impact retirement plans and distributions

- **Qualified Disaster Distributions**

- Coronavirus Related Distributions
 - Can take up to \$100k
 - Not subject to 10% penalty
 - Can be included in income over ratable s3 year period
 - IRS Form 8915 – Qualified Disaster Retirement Plan Distribution & Repayments??
 - Can be Rolled back in for up to 3 years after distribution
 - Would get credit for any taxes paid
 - Can be taken from IRA or Qualified Retirement Plan
 - Can be aggregated amount – part from IRA, part from 401k
 - Where to take it from



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How the CARES Act will Impact retirement plans and distributions

- **QCD – Qualified Charitable Distributions**

- Not limited to RMD amount
- Can give up to \$100k



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The SECURE Act

Setting Up Every Community for Retirement Enhancement
December 20th, 2019

- Most sweeping retirement legislation since the Pension Protection Act
- Goal - Increase access to work retirement plans and expand retirement savings



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The SECURE Act

- Delays Required Minimum Distributions (RMDs) from 70 ½ to 72yrs
 - Eliminated RMDs for Roth IRAs
 - 10yr distribution in effect
- Eliminates Age limits for contributing to IRAs
 - Must have earned income
 - Back Door Roth strategy?
- Eliminates Stretch
 - 10yr period for a NEBD (Non-eligible Designated Beneficiary)
 - Who tracks 10yr period? Not custodians
 - This bi-year does not extend 10yr period. Neither does death

**For next couple of years Advisors will need to verify WHEN client turned 70 ½ years



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Planning Strategies

1. Delay Required Minimum Distributions to reduce income
2. Possibly look at Roth conversions or Back Door Roth Strategy
3. Allow Roth's to grow tax free longer upon inheritance
4. Consider more comprehensive Estate Planning – IRA trust
 - a) Do not have to track Beneficiaries ages for distributions
5. Taking distributions from a Qualified Plan to meet “emergency needs” is NOT ideal. Talk to trusted tax accountant and / or Financial Advisor
6. Do you continue to fund IRA through age 72yrs and thus have higher RMDs in retirement?
7. Inherited IRA distribution strategies
8. Plan Sponsors – benchmark retirement plans
9. Review life insurance and Estate documents
10. Talk with your Financial Advisor



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Thank you!

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