

# THE ROUND TABLE



## The CARES Act Suspends Federal Student Loan Payments

On March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Included in the legislation are new rules for student loan relief. The legislation provides a six-month automatic payment suspension for any student loan held by the federal government. This six-month period ends on September 30, 2020. If you have a federal student loan, you don't need to contact your loan servicer to request a suspension; the six-month freeze will be applied automatically to any eligible federal student loan. However, you can choose to keep making your monthly student loan payments during the six-month suspension period if you wish. Interest will not accrue during the six-month suspension period. In effect, the interest rate is set to 0%.

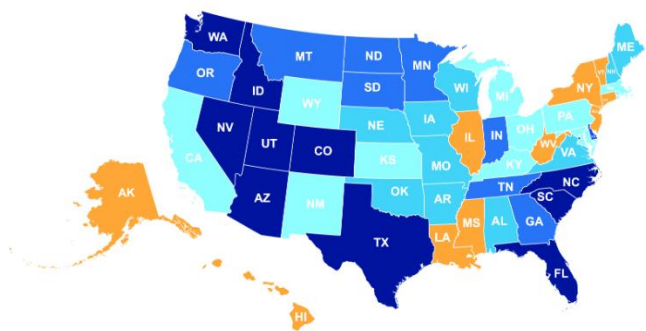
**Only Federal Loans Qualify:** Only student loans held by the federal government are eligible for payment suspension. This includes Direct Loans (which includes PLUS Loans), as well as Federal Perkins Loans and Federal Family Education Loan (FFEL) Program loans held by the Department of Education. Private student loans are not eligible.

**Impact on Public Service Loan Forgiveness Program:** Under the Public Service Loan Forgiveness (PSLF) Program, borrowers who work in an eligible public service job and make 120 on-time student loan payments are eligible to have the remaining balance on their federal Direct Loans forgiven. Under the CARES Act, the six-month freeze on student loan payments will not affect the 120-month running period for purposes of the PSLF program. In other words, each month of the suspension period will still count toward a borrower's 120 payment tally, even if the borrower does not make any payments during the six-month period.

**How to Contact Your Loan Servicer:** Your federal loan servicer is the company that handles your loan's billing and provides related services. If you want to contact your loan servicer for any reason you should try to do so online or by phone. If you don't know the name of your loan servicer or how to contact the company, you can visit [studentaid.gov/login](https://studentaid.gov/login) or call 1-800-4-FED-AID for assistance.

## State Populations: Winners and Losers

The U.S. population was 328,239,523 in 2019, an increase of 0.5% over 2018. This was the fourth consecutive year of slowing population growth due to fewer births, more deaths, and lower immigration from other countries. Forty states and the District of Columbia gained population, while 10 states lost population. Here are the winners and losers based on percentage increase or decrease in population.



- Top 10:** gained 1.0% to 2.1%
- 11-20:** gained 0.5% to 1.0%
- 21-30:** gained 0.2% to 0.5%
- 31-41:** gained 0.0% to 0.2%\*
- Bottom 10:** lost 0.0% to -0.7%\*

\*Includes gains and losses that round to zero.

Source: U.S. Census Bureau, 2019

# Five Key Benefits of the CARES Act for Individuals and Businesses

By now you know that Congress has passed a \$2 trillion relief bill to help keep individuals and businesses afloat during these difficult times. The Coronavirus Aid, Relief, and Economic Security (CARES) Act contains many provisions. Here are five that may benefit you or your business.

## 1. Recovery Rebates

Many Americans will receive a one-time cash payment of \$1,200. Each U.S. resident or citizen with an adjusted gross income (AGI) under \$75,000 (\$112,500 for heads of household and \$150,000 for married couples filing a joint return) who is not the dependent of another taxpayer and has a work-eligible Social Security number, may receive the full rebate. Parents may also receive an additional \$500 per dependent child under the age of 17. The \$1,200 rebate amount will decrease by \$5 for every \$100 in excess of the AGI thresholds until it completely phases out. For example, the \$1,200 rebate completely phases out at an AGI of \$99,000 for an individual taxpayer and the \$2,400 rebate phases out at \$198,000 for a married couple filing a joint return. Rebate payments will be based on 2019 income tax returns (2018 if no 2019 return was filed) and will be sent by the IRS via direct deposit or mail. Eligible individuals who receive Social Security benefits but don't file tax returns will also receive these payments, based on information provided by the Social Security Administration. The rebate is not taxable. Because the rebate is actually an advance on a refundable tax credit against 2020 taxes, someone who didn't qualify for the rebate based on 2018 or 2019 income might still receive a full or partial rebate when filing a 2020 tax return.

## 2. Extra Unemployment Benefits

The federal government will provide \$600 per week to those who are eligible for unemployment benefits as a result of COVID-19, on top of any state unemployment benefits an individual receives. Unemployed individuals may qualify for this additional benefit for up to four months (through July 31.) The federal government will also fund up to an additional 13 weeks of unemployment benefits for those who have exhausted their state benefits (up to 39 weeks of benefits) through the end of 2020. The CARES Act also provides assistance to workers who have been affected by the COVID-19 pandemic but who normally wouldn't be eligible for unemployment benefits, including self-employed individuals, part-time workers, freelancers, independent contractors and gig workers. Individuals who have to leave work for

coronavirus-related reasons are also potentially eligible for benefits.

## 3. Federal Student Loan Deferrals

For all borrowers of federal student loans, payments of principal and interest will be automatically suspended for six months, through September 30, without penalty to the borrower. Federal student loans include Direct Loans (which includes PLUS Loans), as well as Federal Perkins Loans and Federal Family Education Loan (FFEL) Program loans held by the Department of Education. Private student loans are not eligible.

## 4. IRA and Retirement Plan Distributions

Required minimum distributions from IRAs and employer-sponsored retirement plans will not apply for the 2020 calendar year. In addition, the 10% premature distribution penalty tax that would normally apply for distributions made prior to age 59½ (unless an exception applied) is waived for coronavirus-related retirement plan distributions of up to \$100,000. The tax obligation may be spread over three years, with up to three years to reinvest the money.

## 5. Help for Businesses

The CARES Act includes several provisions designed to help self-employed individuals and small businesses weather the financial impact of the COVID-19 crisis. Self-employed individuals and small businesses with fewer than 500 employees may apply for a Paycheck Protection Loan through a Small Business Association (SBA) lender. Businesses may borrow up to 2.5 times their average monthly payroll costs, up to \$10 million. This loan may be forgiven if an employer continues paying employees during the eight weeks following the origination of the loan and uses the money for payroll costs (including health benefits), rent or mortgage interest, and utility costs. Also available are emergency grants of up to \$10,000 (that do not need to be repaid if certain conditions are met), SBA disaster loans, and relief for business owners with existing SBA loans. Businesses of all sizes may qualify for a refundable payroll tax credit of 50% of wages paid to employees during the crisis, up to \$10,000 per employee. The credit is applied against the employer's share of Social Security payroll taxes.

## Keeping Cool: Investment Strategy vs. Reaction

After losing ground in 2018, U.S. stocks had a banner year in 2019, with the S&P 500 gaining almost 29% — the highest annual increase since 2013.<sup>1</sup> It's too early to know how 2020 will turn out, but it's been rocky so far, and you can count on market swings to challenge your patience as an investor.

The trend was steadily upward last year, but there were downturns along the way, including a single-day drop of almost 3% on August 14. That plunge began with bad economic news from Germany and China that triggered a flight to the relative safety of U.S. Treasury securities, driving the yield on the 10-year Treasury note below the 2-year note for the first time since 2007. A yield curve inversion has been a reliable predictor of past recessions and spooked the stock market.<sup>2</sup> By the following day, however, the market was back on the rise.<sup>3</sup>

It's possible that a yield curve inversion may no longer be a precursor to a recession. Still, larger concerns about the economy are ongoing, and this incident illustrates the pitfalls of overreacting to economic news. If you were also spooked on August 14, 2019, and sold some or all of your stock positions, you might have missed out on more than 13% equity market growth over the rest of the year.<sup>4</sup>

### Tune Out the Noise

The media generates news 24 hours a day, seven days a week. You can check the market and access the news anywhere you carry a mobile device. This barrage of information might make you feel that you should buy or sell investments in response to the latest news, whether it's a market drop or an unexpected geopolitical event. This is a natural response, but it's not wise to react emotionally to market swings or to news that you think might affect the market.

### Stay the Course

Consider this advice from John Bogle, famed investor and mutual fund industry pioneer: "Stay the course. Regardless of what happens to the markets, stick to your investment program. Changing your strategy at the wrong time can be the single most devastating mistake you can make as an investor."<sup>5</sup>

This doesn't mean you should never buy or sell investments. However, the investments you buy and sell should be based on a sound strategy appropriate for your risk tolerance, financial goals, and time frame. And a sound investment strategy should carry you through market ups and downs.

It can be tough to keep cool when you see the market dropping or to control your exuberance when you see it shooting upward. But overreacting to market movements or trying to "time the market" by guessing at future direction may create additional risk that could negatively affect your long-term portfolio performance.

All investments are subject to market fluctuation, risk, and loss of principal. When sold, investments may be worth more or less than their original cost. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. If not held to maturity, they could be worth more or less than the original amount paid.

1) S&P Dow Jones Indices, 2020

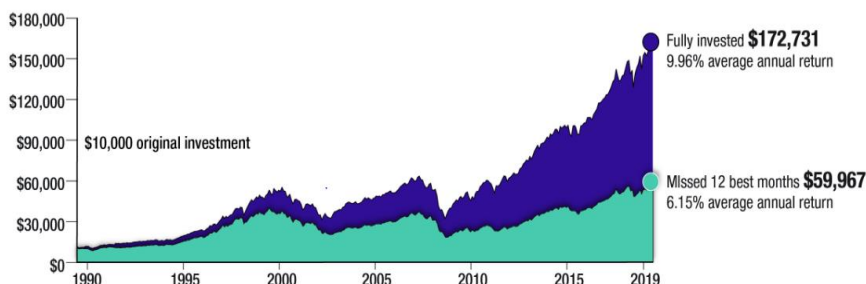
2) The Wall Street Journal, August 14, 2019

3-4) Yahoo! Finance (S&P 500 index for the period 8/14/2019 to 12/31/2019)

5) MarketWatch, June 6, 2017

## Long-Term Commitment

"Time in the market" is generally more effective than trying to time the market. An investor who remained fully invested in the U.S. stock market over the past 30 years would have received almost triple the return of an investor who missed the best 12 months of market performance.



Source: Refinitiv, 2020, S&P 500 Composite Total Return Index for the period 12/31/1989 to 12/31/2019. The S&P 500 is an unmanaged group of securities that is considered to be representative of the U.S. stock market in general. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. This hypothetical example is used for illustrative purposes only and does not consider the impact of taxes, investment fees, or expenses. Rates of return will vary over time, particularly for long-term investments. Actual results will vary. Past performance does not guarantee future results.

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## Why You Might Need Disability Income Insurance

Your ability to earn an income may be your most valuable asset. It might be difficult to make ends meet if you are unable to work due to illness or injury.

According to one report, only 34% of men and 20% of women said they felt extremely confident in supporting their households during a period of income loss.<sup>1</sup> It's important to assess your own situation and determine whether you have appropriate financial backup in the event that you cannot work due to a disability.

Your employer may offer long-term disability coverage, but you could lose your subsidized coverage if you change jobs. Even if you remain covered through your job, group plans typically don't replace as large a percentage of income as an individual plan could, and disability benefits from employer-paid plans are taxable if the premiums were paid by the employer.

An individual disability income policy could help replace a percentage of your income (up to the policy limits) if you're unable to work as a result of an illness or injury. Depending on the policy, benefits may be paid for a specified number of years or until you reach retirement age. Some policies pay benefits if you cannot work in your current occupation; others might pay only if you cannot work in any type of job. If you pay the premiums yourself, disability benefits are usually free of income tax. And the policy will stay in force regardless of your employment situation as long as the premiums are paid.

Social Security offers some disability protection, but qualifying is difficult. And the monthly benefit you might receive (\$1,258, on average) will probably not be enough to replace your lost income.<sup>2</sup>

Having an individual disability income insurance policy could make the difference between being comfortable and living on the edge.

*A complete statement of coverage, including exclusions, exceptions, and limitations, is found only in the policy. It should be noted that carriers have the discretion to raise their rates and remove their products from the marketplace.*

1) Council for Disability Awareness, 2019

2) Social Security Administration, 2020

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