How COVID-19 Impacts Financial Planning

Aside from the impact it's made on the markets,COVID-19 has also impacted broader financial planning areas, such as taxes, student loans and Social Security.

**Baird Private Wealth Management
Financial & Estate Planning**

In the last several days, there has been a rush by lawmakers and government organizations alike to provide economic relief to the American public. These changes have taken shape in the form of tax filing, payment extension and interest relief. But the impact has also been felt by the likes of the Social Security Administration and others.

TAX POLICY RELIEF

The Treasury Department recently issued guidance that extends the tax filing deadline from April 15th out to July 15th. Previously, the extension only applied to tax payments, but has now broadened to include tax filing.

In addition to extending the deadline for submitting one's tax returns, the Treasury Department will also be providing economic relief by waving penalties and interest on payments. This relief extends to all taxpayers, regardless of amount owed. In a normal tax year, prompt tax payment is due by April 15th, even in the cases when the taxpayer files for an extension of their return. Any late payment is subject to a penalty equal to half a percent for each month it is past due. In addition to the penalty, there is also interest charged, which is based upon the federal short-term interest rate plus 3 percent.

This deferment applies to all taxpayers, including individuals, trusts and estates, corporations and other non-corporate tax filers as well as those who pay self-employment tax. Taxpayers do not need to file any additional forms or call the IRS to qualify for this automatic federal tax filing and payment relief. For those who are owed a refund, it is still recommended to file sooner rather than later.

It is worth noting that individual states may have filing deadlines of their own that do not conform to the changes at the Federal level. While it is anticipated that the states will update their respective policies for 2020, it is recommended to check with your local and state departments.

Congress also provided clarity on high deductible health plans during the outbreak. These types of plans will continue to meet testing requirements in the cases where they cover costs associated with COVID-19, even when the insured has not met their deductible for the coverage period. The high deductible health plan status is important for individuals who wish to make a contribution to their HSA.

The contribution deadline for HSAs, SEPs, Roth IRAs and Traditional IRAs has been extended until July 15th.

STUDENT LOAN INTEREST

On March 13th, 2020 as part of the National Emergency Declaration President Trump announced he will be freezing interest on federal student loans due to the Coronavirus pandemic. The waiver is for the following loans:

•   Direct student loans
•   FFEL and Perkins loans held by the federal government

Secretary DeVos has directed all federal student loan servicers to grant an administrative forbearance to any borrower with a federally held loan who requests one. The forbearance will be in effect for a period of at least 60 days, beginning on March 13, 2020. To request this forbearance, borrowers should contact their loan servicer online or by phone. The Secretary has also authorized an automatic suspension of payments for any borrower more than 31 days delinquent as of March 13, 2020, or who becomes more than 31 days delinquent, essentially giving borrowers a safety net during the national emergency.

Some borrowers may want to continue making payments, especially those seeking Public Service Loan Forgiveness (PSLF) or those enrolled in a repayment plan with a manageable monthly payment. For borrowers continuing to make payments, the full amount of their payment will be applied to the principal amount of their loan once all interest accrued prior to the president's March 13 announcement is paid.

If you have Federal Student Loans that you borrowed from the U.S. Department of Education it is recommended that you review your loans by logging into "My Federal Student Aid" available at StudentAid.gov/login.

If you have questions on your Federal Student Loans, below are some resources available:

•   https://studentaid.gov/resources
•   Your school's financial aid office or 1-800-4-FED-AID (1-800-433-3243)
•   https://studentaid.gov/sites/default/files/federal-loan-programs.pdf

GOVERNMENT OFFICE CLOSURES

As a result of the COVID-19 pandemic, several government organizations have started to close their local offices, so as to protect their employees and the individuals they serve. On March 17th, the Social Security Administration announced that they will no longer be providing face-to-face services at all offices around the country. This move comes as many Social Security recipients include older Americans and those with medical conditions that make them more vulnerable. While no end date of office closures has been communicated, the SSA will continue to offer services via phone, mail and online. As their website points out, the SSA does not anticipate any disruptions to payments.

For scheduled appointments, the SSA will be contacting those individuals to conduct the meeting over the phone. For those looking to file for benefits, our recommendation is file for benefits online. Applications for divorced spouse or survivor benefits cannot be filed online, so in those cases, you should contact the SSA directly via phone.

 If you have questions on Social Security, below are some resources available:

•   https://www.ssa.gov/
•   https://www.ssa.gov/coronavirus/

In addition to all of the Social Security office being closed, the IRS has closed all of their Taxpayer Assistance Centers. The IRS will continue its normal operations to process returns and provide guidance through online and phone services.

For updates from the IRS, see the link below:

•   https://www.irs.gov/coronavirus

For additional information, please contact your Baird Financial Advisor.