

# EPIC CAPITAL

A Good Life Well Lived.

## INSIGHTS

## Key Provisions of the CARES Act

*Long-established retirement account rules change.*

**R**ecently, the \$2 trillion “Coronavirus Aid, Relief, and Economic Security” (“CARES”) Act was signed into law. The CARES Act is designed to help those most impacted by the COVID-19 pandemic, while also providing key provisions that may benefit retirees.<sup>1</sup>

To put this monumental legislation in perspective, Congress earmarked \$800 billion for the Economic Stimulus Act of 2008 during the financial crisis.<sup>1</sup>

The CARES Act has far-reaching implications for many. Here are the most important provisions to keep in mind:

**Stimulus Check Details.** Americans can expect a one-time direct payment of up to \$1,200 for individuals (or \$2,400 for married couples) with an additional \$500 per child under age 17. These payments are based on the 2019 tax returns for those who have filed them and 2018 information if they have not. The amount is reduced if an individual makes more than \$75,000 or a couple makes more than \$150,000. Those who make more than \$99,000 as an individual (or \$198,000 as a couple) will not receive a payment.<sup>1</sup>

**Business Owner Relief.** The act also allocates \$500 billion for loans, loan guarantees, or investments to businesses, states, and municipalities.<sup>1</sup>

**Your Inherited 401(k)s.** People who have inherited 401(k)s or Individual Retirement Accounts can suspend distributions in 2020. Required distributions don’t apply to people with Roth IRAs; although, they do apply to investors who inherit Roth accounts.<sup>2</sup>

**RMDs Suspended.** The CARES Act suspends the minimum required distributions most people must take from 401(k)s and IRAs in 2020. In 2009, Congress passed a similar rule, which gave retirees some flexibility when considering distributions.<sup>2,3</sup>

### Inside this Issue

#### FEATURES

- Key Provisions of the CARES Act
- Details on the Tax Deadline Extension
- Understanding Long-Term Care
- Will You Avoid These Estate Planning Mistakes?

**Withdrawal Penalties.** Account owners can take a distribution of up to \$100,000 from their retirement plan or IRA in 2020, without the 10-percent early withdrawal penalty that normally applies to money taken out before age 59½. But remember, you still owe the tax.<sup>4</sup>

Many businesses and individuals are struggling with the realities that COVID-19 has brought to our communities. The CARES Act, however, may provide some much-needed relief. Contact your financial professional today to see if these special 2020 distribution rules are appropriate for your situation.

## Details on the Tax Deadline Extension



### *Changes for 2020.*

The Internal Revenue Service knows that many taxpayers have had a stressful spring. So, it has reset the federal tax deadline. You now have until July 15 to file your 1040 form. July 15 is also the deadline to pay any federal taxes owed for 2019.<sup>1</sup>

Beyond these important details, there are others to note. Keep in mind: this article is for informational purposes only. It's not a replacement for real-life advice, so make sure to consult your tax, legal, and accounting professionals before modifying your strategy.

**The extended tax deadline still falls on October 15.** This year, the 6-month extension is now a 3-month extension. If you owe federal taxes, you must still pay them by July 15.<sup>2</sup>

**The July 15 deadline also applies to fiscal year filers and many businesses.** It applies to any individual or business entity that would normally have to file or pay by April 15.<sup>2</sup>

**How about those who pay quarterly taxes?** On April 9, the I.R.S. set a new July 15 deadline for both first-quarter and second-quarter estimated tax payments. The Q3 and Q4 estimated tax deadlines remain set at September 15, 2020 and January 15, 2021, respectively.<sup>3</sup>

**You have three additional months to make a 2019 IRA or HSA contribution.** Do you still need to do this? Ordinarily, your deadline to do so would be April 15, 2020, but just as the federal income tax filing deadline has been pushed forward to July 15, so has this deadline.<sup>1</sup>

**The July 15 deadline also applies for gift taxes.** While the federal estate tax deadline fell on April 15, Forms 709 (the Gift and Generation-Skipping Transfer Tax Return) and related payments are not due until July 15. An extension to file as late as October 15 is permitted; though, gift and GST taxes owed will still be due on or before July 15.<sup>4</sup>

**Many state tax deadlines have also been extended to July 15.** A few states have given taxpayers even more time. In Hawaii, the filing deadline is July 20. In Iowa, state income taxes may be filed as late as July 31. In Colorado, taxpayers have until October 15 to file their returns, with any taxes owed due by July 15.<sup>5</sup>

Things are a bit different in three other states. Mississippi has pushed its state tax deadline forward, but only to May 15. New Hampshire has offered extensions to “qualifying taxpayers” affected by the coronavirus crisis who were unable to pay state taxes by April 15. Virginia has given taxpayers an automatic 6-month extension to file; if taxes owed are not paid by May 1, interest will be charged, but late penalties will be waived if taxes are paid by June 1.<sup>7</sup>

**There are reasons to send in your return well before July 15.** Do you think you will owe money? The earlier you determine what you owe, the more time you have to plan your tax payment. If you are owed money, filing earlier can bring you a refund earlier.

As a reminder, this article is intended to present general information, not tax advice. Talk with a tax or legal professional about your particular tax situation before modifying your strategy.

## Understanding Long Term Care

*The important question: Are you prepared?*



Addressing the potential threat of long-term care expenses may be one of the biggest financial challenges for individuals who are developing a retirement strategy.

The U.S. Department of Health and Human Services estimates that 69% of people over age 65 can expect to need extended care services at some point in their lives. So, understanding the various types of long-term care services – and what those services may cost – is critical as you consider your retirement approach.<sup>1</sup>

**What Is Long-Term Care?** Long-term care is not a single activity. It refers to a variety of medical and non-medical services needed by those who have a chronic illness or disability that is most commonly associated with aging.

Long-term care can include everything from assistance with activities of daily living – help dressing, bathing, using the bathroom, or even driving to the store – to more intensive therapeutic and medical care requiring the services of skilled medical personnel.

Long-term care may be provided at home, at a community center, in an assisted living facility, or in a skilled nursing home. And long-term care is not exclusively for the elderly; it is possible to need long-term care at any age.

**How Much Does Long-Term Care Cost?** Long-term care costs vary state by state and region by region. The national average for care in a skilled care facility (semi-private in a nursing home) is \$85,775 a year. The national average for care in an assisted living center is \$45,000 a year. Home health aides cost a median \$18,200 per year, but that rate may increase when a licensed nurse is required. <sup>1</sup>

Individuals who would rather not burden their family and friends have two main options for covering the cost of long-term care: they can choose to self-insure or they can purchase long-term care insurance.

Many self-insure by default – simply because they haven’t made other arrangements. Those who self-insure may depend on personal savings and investments to fund any long-term care needs. The other approach is to consider purchasing long-term care insurance, which can cover all levels of care, from skilled care to custodial care to in-home assistance.

When it comes to addressing your long-term care needs, many look to select a strategy that may help them protect assets, preserve dignity, and maintain independence. If those concepts are important to you, consider your approach for long-term care

## Will You Avoid These Estate Planning Mistakes?



*Too many wealthy households commit these common blunders*

Many people plan their estates diligently, with input from legal, tax, and financial professionals. Others plan earnestly but make mistakes that can potentially affect both the transfer and destiny of family wealth. Here are some common and not-so-common errors to avoid.

**Doing it all yourself.** While you could write your own will or create a will, it can be risky to do so. Sometimes simplicity has a price. Look at the example of Aretha Franklin. The “Queen of Soul’s” estate, valued at \$80 million, may be divided under a handwritten or “holographic” will. Her wills were discovered among her personal effects. Provided that the will can be authenticated, it will be probated under Michigan law, but such unwitnessed documents are not necessarily legally binding.<sup>1</sup>

**Failing to update your will or trust after a life event.** Relatively few estate plans are reviewed over time. Any major life event should prompt you to review your will, trust, or other estate planning documents. So should a major life event that affects one of your beneficiaries.

**Appointing a co-trustee.** Trust administration is not for everyone. Some people lack the interest, the time, or the understanding it requires, and others balk at the responsibility and potential liability involved. A co-trustee also introduces the potential for conflict.

**Being too vague with your heirs about your estate plan.** While you may not want to explicitly reveal who will get what prior to your passing, your heirs should understand the purpose and intentions at the heart of your estate planning. If you want to distribute more of your wealth to one child than another, write a letter to be presented after your death that explains your reasoning. Make a list of which heirs will receive collectibles or heirlooms. If your family has some issues, this may go a long way toward reducing squabbles as well as the possibility of legal costs eating up some of this-or-that heir's inheritance.

**Leaving a trust unfunded (or underfunded).** Through a simple, one-sentence title change, a married couple can fund a revocable trust with their primary residence. As an example, if a couple retitles their home from "Heather and Michael Smith, Joint Tenants with Rights of Survivorship" to "Heather and Michael Smith, Trustees of the Smith Revocable Trust dated (month)(day), (year)." They are free to retitle myriad other assets in the trust's name.<sup>1</sup>

**Ignoring a caregiver with ulterior motives.** Very few people consider this possibility when creating a will or trust, but it does happen. A caregiver harboring a hidden agenda may exploit a loved one to the point where they revise estate planning documents for the caregiver's financial benefit.

The best estate plans are clear in their language, clear in their intentions, and updated as life events demand. They are overseen through the years with care and scrutiny, reflecting the magnitude of the transfer of significant wealth.

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**If you would like to further discuss any of the topics written about in this newsletter, or inquire about any of our other services, please feel free to contact us**



## Citations:

### Key Provisions of the CARES Act

- 1 - CNBC.com, March 25, 2020.
- 2 - The Wall Street Journal, March 25, 2020.
- 3 - The Wall Street Journal, March 25, 2020.
- 4 - The Wall Street Journal, March 25, 2020.

### Details on the Tax Deadline Extension

- 1 - Kiplinger.com, March 30, 2020
- 2 - IRS.gov, April 10, 2020
- 3 - Forbes.com, April 9, 2020
- 4 - The Internal Revenue Service, April 2020
- 5 - MSN.com, April 6, 2020

### Understanding Long-Term Care

- 1 - fool.com/retirement/2018/09/02/5-long-term-care-stats-that-will-blow-you-away.aspx [9/2/18] **Will You Avoid These Estate Planning Mistakes?**
- 1 - detroitnews.com/story/news/local/oakland-county/2019/05/20/lawyer-says-3-handwritten-wills-found-aretha-franklin-home/3747674002/ [5/20/19]

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## INSIGHTS

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