



COVID-19 and Your Finances

Dr. Barbara O'Neill, CFP[®], AFC[®]

@moneytalk1

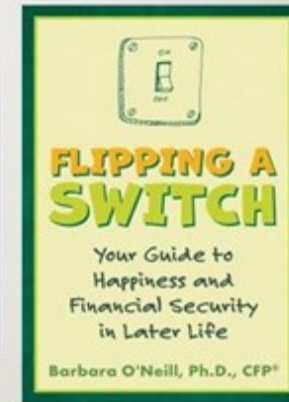
<https://www.moneytalkbmo.com/>

<https://njaes.rutgers.edu/money/>



Personal Intro

- Worked for Rutgers Univ. for 41 years
- CFP® for 35 years



Now a financial education entrepreneur based in Florida

ESTABLISHED 1992

RE-ESTABLISHED 2020

BARBARA O'NEILL, PH.D., CFP®, AFC
OWNER/CEO

I write, speak, and review content about personal finance.

Author of *Flipping A Switch: Your Guide to Happiness and Financial Security in Later Life*



Question: How Have You or a Family Member Been Impacted by COVID-19?



COVID-19 Has Been Called a “Preview” of Later Life

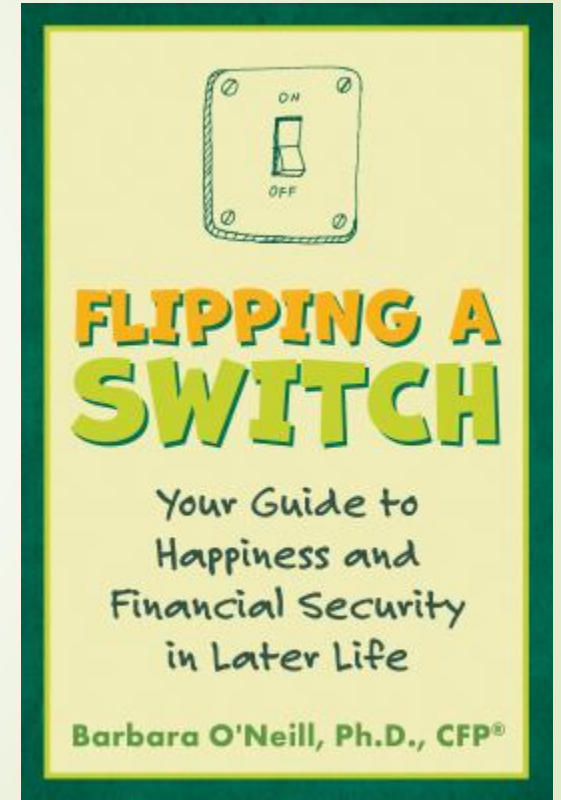
Source: In
Quarantine, a
Glimpse of What
Retirement Might
Look Like, *The Wall
Street Journal*:

<https://www.wsj.com/articles/in-quarantine-a-glimpse-of-what-retirement-might-look-like-11587135637>



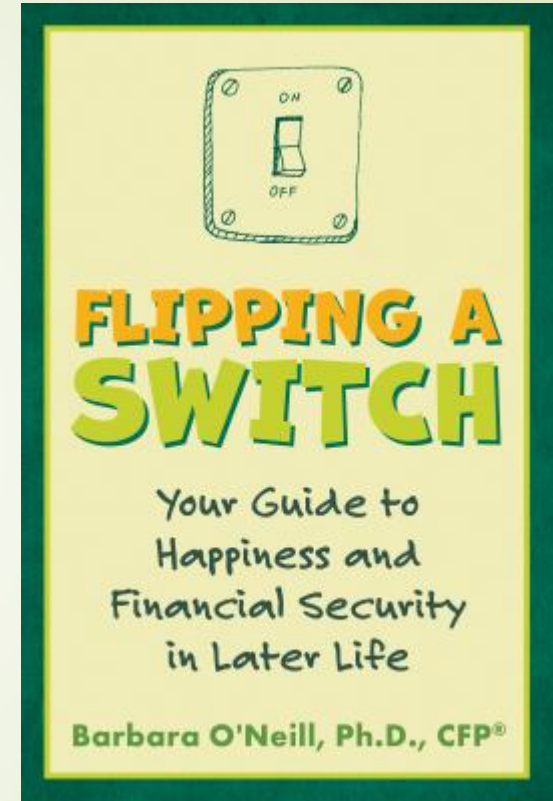
Flipped Switches and COVID-19

- ▶ Adjusting to a changed income
- ▶ Creating a “paycheck”
- ▶ Keeping busy (boredom, “cabin fever”)
- ▶ Too much “togetherness”



More Flipped Switches and COVID-19

- Becoming “fraud bait”
- Staying socially connected
- Disconnection from a team or group
- Social Security decision-making



Three COVID-19 Personal Finance Categories

- Reduced Income and Struggling
- Stable Income but Anxious
- Increased Income with Opportunities





What Experts Are Predicting

NOT a “V” shaped recovery

NOT a “W” shaped recovery

NOT a “U” shaped recovery

But... a “K” shaped recovery



Source: COVID-19 is Dividing the American Worker, *The Wall Street Journal*, <https://www.wsj.com/articles/covid-19-is-dividing-the-american-worker-11598068859>



Financial Action Steps for Each COVID-19 Category





Everyone Impacted by COVID-19 (i.e., All Americans)

Estate Planning Urgency

- Will
- Living will
- Durable power of attorney
- Asset and digital asset inventory

Expect delays and new processes

- Beneficiary designation worksheet:
<https://njaes.rutgers.edu/money/>
- Digital assets worksheet:
<https://njaes.rutgers.edu/money/pdfs/Digital-Assets-Worksheet.pdf>




Everyone Impacted by COVID-19 (i.e., All Americans)

- **Multitude of Income Tax Implications**
 - Recovery rebates (stimulus)
 - Tax on unemployment benefits
 - \$300 charity deduction (non-itemizers)
 - Tax credit eligibility (e.g., EITC, Savers Credit)
 - Waiver of 10% early withdrawal penalty on retirement accounts over three years from CARES Act
 - RMD suspension (age 72+)
 - > 6 months of remote work away from home state (dual state tax, non-resident filing)



Create a Budget and Bill Payment Plan

 Use this **bill calendar** to see all your bills and plan when they're due

- 1 List the month and label the calendar with the dates of the month you want to plan for.
- 2 Make a list of all your bills.
- 3 For each bill, mark the payment date: 7 days before the due date for mail, 2 days before the due date for online.
- 4 Enter when you receive income into the calendar.

Bills:

Month of

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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- Budgets are needed now more than ever (increases control)
- RCE Resource: <https://njaes.rutgers.edu/money/pdfs/fs421-worksheet.pdf>
- Project future income and expenses
- Also create a bill payment calendar: https://files.consumerfinance.gov/f/documents/cfpb_well-being_bill-calendar.pdf
- Ask to change payment due dates (if needed)



Group #1: Reduced Income and Struggling



Loss of income

Food insecurity

Depletion of savings

End of moratoriums

Eviction proceedings

Benefit access issues

Inability to access social support systems



Prioritize Spending (3 Categories)

Needs (Needed for survival)

- Food, rent/mortgage, utilities, medication co-pays, phone, internet, health insurance

Obligations

- Prioritize according to non-payment consequences (see next slide)

Wants

- Not needed to survive and you have no obligation to pay (dues, gifts, donations, travel, retirement savings)



Prioritizing Obligations

1. Court Fines and Fees
2. Child Support
3. Insurance (auto, property, life, disability)
4. Money Judgments
5. Secured Debt
6. Taxes and Tax Debt
7. Student Loans
8. Unsecured Debt
9. Interpersonal debt
10. Other?



Other Tips For Group #1

- Reach out for help: Call 211 or visit <https://www.211.org/>
- Eliminate subscription services (e.g., satellite radio, gym, newspaper, streaming)
- Assess resources (emergency fund, cash value life insurance, retirement plan)
- Access CARES Act leniency provisions
- Stay insured (health, life, property)
- Protect your credit





Group #2: Stable income, But Anxious

No loss of income...yet

Ominous warning signs about the financial stability of employer

Fear of furloughs or layoffs

Hearing stories about financial challenges of friends and family

Worried that emergency savings is inadequate and/or debt is too high



Tips for Group #2 (in addition to the tips for Group #1)

- Develop a furlough preparation plan: calculate the value of a day's pay
- Increase your emergency fund
- Accelerate debt repayment using PowerPay: <https://powerpay.org/>
- Invest in your human capital
- Start a “side hustle”
- Consider refinancing your mortgage
- Rebalance your investment portfolio



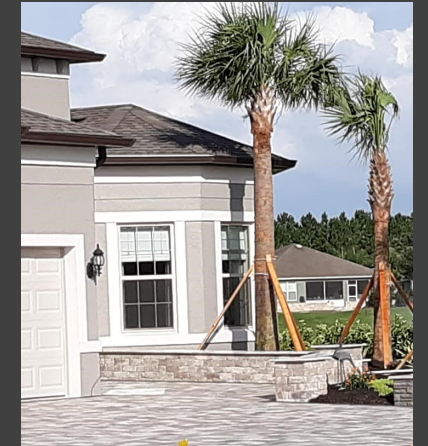
Group #3: Increased Income With Opportunities

Little or no asset value loss

Increased income and/or cash flow

Decreased expenses (e.g., commuting, childcare, meals away from home)

Spending freely on home improvements



Other Impacts (boredom, fear, “survivor’s guilt,” anger about lost opportunities, mental health)



Tips for the “Financially Unscathed” (in addition to the tips for Group #1 and Group #2)

- Save/invest positive cash flow
- Make prudent home improvements with a high ROI
- Be careful about requests for co-signing, “loans,” and long-term support of adult children
- Get serious about philanthropy to help others (e.g., Donor Advised Fund, gifting appreciated stock)
- Be sure to withhold sufficient income tax on extra income

Ways to Give to People or Charities

- Outright gifts of cash, securities, and untitled property
- Named retirement account beneficiaries (e.g., IRA)
- Named life insurance and annuity beneficiaries
 - Beneficiary Designations Worksheet:
<https://njaes.rutgers.edu/money/pdfs/beneficiary-designations.pdf>
- Bequests made via a will or trust



Five Tax-Advantaged Gifting Strategies During Your Lifetime

- “Bunch up” itemized deductions into one tax year
- Donate appreciated securities
- Make qualified charitable distributions from a traditional IRA
- Set up a donor-advised fund (DAF)
- Set up a charitable trust



Charitable Deduction for Non-Itemizing Taxpayers in 2021

Omnibus Spending and Coronavirus Relief law (signed 12/20): Deduction for monetary donations to qualifying non-profit organizations

- \$300 for single taxpayers
- \$600 for married couples filing jointly (mfj)

A scan of the 2020 Form 1040 U.S. Individual Income Tax Return. The form is partially filled out, showing the 'Standard Deduction' section. The 'Standard Deduction' section includes lines 10a, 10b, and 10c, which are used to calculate the total adjustments to income. The form also includes sections for 'Dependents', 'Age/Blindness', and 'Spouse'. The 'Standard Deduction' section is highlighted in blue.

- Cash contributions only; not property donations (e.g., thrift shop)
- Put on Form 1040 in the “adjustments to income” section on the front page
- Does NOT include donations placed into a donor advised fund (DAF)

Charitable Deduction for Itemizing Taxpayers in 2021

- NO cap on the amount of donations in 2021 (it is usually 60% of adjusted gross income or AGI); use Schedule A
- Limit is temporarily suspended in 2021 for coronavirus relief
- IRS requirement to keep a record of charitable donations of \$250 or more
- Penalty for overstatement of deductible donations increased (from 20% to 50% of the underpayment)



<https://www.moneytalksnews.com/charitable-tax-breaks-have-been-extended-for-2021/>

Where to Deduct Charitable Donations On Your Federal Income Tax Form

- Married filing jointly or Qualifying widow(er), \$24,800
- Head of household, \$18,650
- If you checked any box under *Standard Deduction*, see instructions.

10	Adjustments to income:		
a	From Schedule 1, line 22	10a	
b	Charitable contributions if you take the standard deduction. See instructions	10b	
c	Add lines 10a and 10b. These are your total adjustments to income ▶		10c
11	Subtract line 10c from line 9. This is your adjusted gross income ▶		11
12	Standard deduction or itemized deductions (from Schedule A)		12
13	Qualified business income deduction. Attach Form 8995 or Form 8995-A		13
14	Add lines 12 and 13		14
15	Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-		15

This is a screen shot of the 2020 Form 1040 form; 2021 form lines could be different



Final Thoughts

Take Action on Things You Can Control:

Washing hands, social distancing, wearing a mask, physical activity, checking in with friends and family, outlook, attitude, emotions, saving, spending, and giving

Learn to Accept Uncertainty:

Identify “uncertainty “triggers” (social media, anxious family members, lack of sleep) and practice being comfortable being uncomfortable

Focus on the Present (mindfulness principles)

Manage Stress and Anxiety: Exercise, relaxation, sleep, healthy eating

Map Out Plans On Paper: Draw three columns: Control, Adapt, and Monitor

One More Challenge for Everyone: Moving Past “A Quarantine State of Mind”

- Many people have been living “in limbo” for a year
 - a.k.a., “survival mode,” “stuck in a rut-ness,” and “financial numbness”
 - Putting off decisions in a “holding pattern”
- Need to feel comfortable making plans again
- Need to feel comfortable taking action and moving forward
- Need to “put yourself out there” and seize opportunities
- Finding a comfortable space between pre-COVID and COVID lifestyles





Covid-19 Financial Resources

Coronavirus Anxiety Workbook (The Wellness Society):

<https://thewellnesssociety.org/wp-content/uploads/2020/04/Coronavirus-Anxiety-Workbook-1>

Financial Reality Coping eBook (Center for Financial Social Work):

<https://financialsocialwork.com/downloads/financial-reality-coping-ebook>

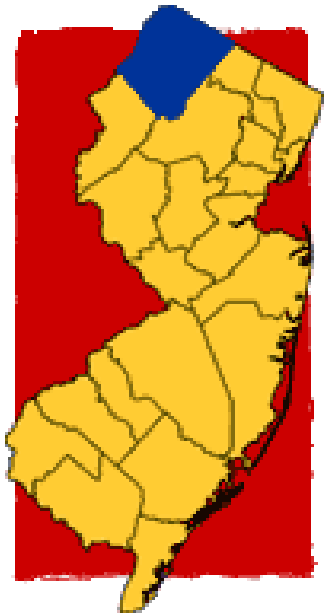
Money Talk Blog (Dr. Barbara O'Neill): <https://moneytalk1.blogspot.com/> (many COVID posts)

Your Money: A Hub for Help During the Coronavirus Storm (The New York Times): <https://www.nytimes.com/article/coronavirus-money-unemployment.html>

This Presentation is Like a Jersey Diner Menu



Jersey Diners



WE **R** HERE
WHEN YOU NEED US



njaes.rutgers.edu



@moneytalk1

boneill@njaes.rutgers.edu

Stay Safe!



Questions?

Comments?

Experiences?