Financial Focus

A Publication of Fortune Wealth Management, LLC

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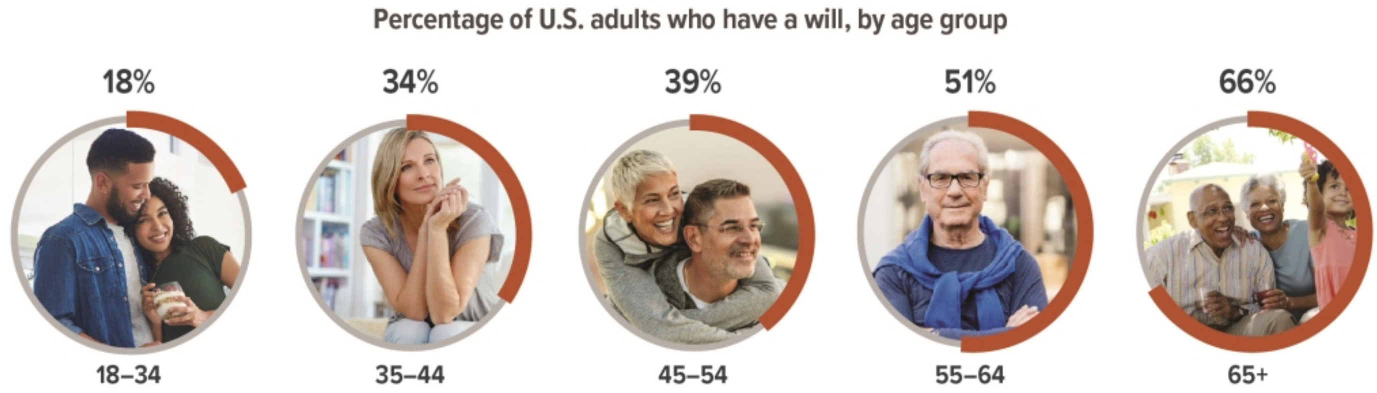
Do You Have a Will?

Although 76% of U.S. adults say having a will is important, only 40% actually have one. The most common excuse is, "I just haven't gotten around to it." It's probably not surprising that older people are more likely to have a will, but the percentage who do is relatively low considering the importance of this legal document.



Source: Caring.com, 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.

Four Things to Consider Before Refinancing Your Home

Mortgage refinancing applications surged in the second week of March 2020, jumping by 79% — the largest weekly increase since November 2008. As a result, the Mortgage Bankers Association nearly doubled its 2020 refinance originations forecast to $1.2 trillion, the strongest refinance volume since 2012.[1]

Low mortgage interest rates have prompted many homeowners to think about refinancing, but there's a lot to consider before filling out a loan application.

1. What is your goal?

Determine why you want to refinance. Is it primarily to reduce your monthly payments? Do you want to shorten your loan term to save interest and possibly pay off your mortgage earlier? Are you interested in refinancing from one type of mortgage to another (e.g., from an adjustable-rate mortgage to a fixed-rate mortgage)? Answering these questions will help you determine whether refinancing makes sense and which type of loan might best suit your needs.

2. When should you refinance?

A general guideline is not to refinance unless interest rates are at least 2% lower than the rate on your current mortgage. However, even a 1% to 1.5% differential may be worthwhile to some homeowners.

To determine this, you should factor in the length of time you plan to stay in your current home, the costs associated with a new loan, and the amount of equity you have in your home. Calculate your break-even point (when you'll begin to save money after paying fees for closing costs). Ideally, you should be able to recover your refinancing costs within one year or less.

While refinancing a 30-year mortgage may reduce your monthly payments, it will start a new 30-year period and may increase the total amount you must pay off (factoring in what you have paid on your current loan). On the other hand, refinancing from a 30-year to 15-year loan may increase monthly payments but can greatly reduce the amount you pay over the life of the loan.

3. What are the costs?

Refinancing can often save you money over the life of your mortgage loan, but this savings can come at a price. Generally, you'll need to pay up-front fees. Typical costs include the application fee, appraisal fee, credit report fee, attorney/legal fees, loan origination fee, survey costs, taxes, title search, and title insurance. Some loans may have a prepayment penalty if you pay off your loan early.

4. What are the steps in the process?

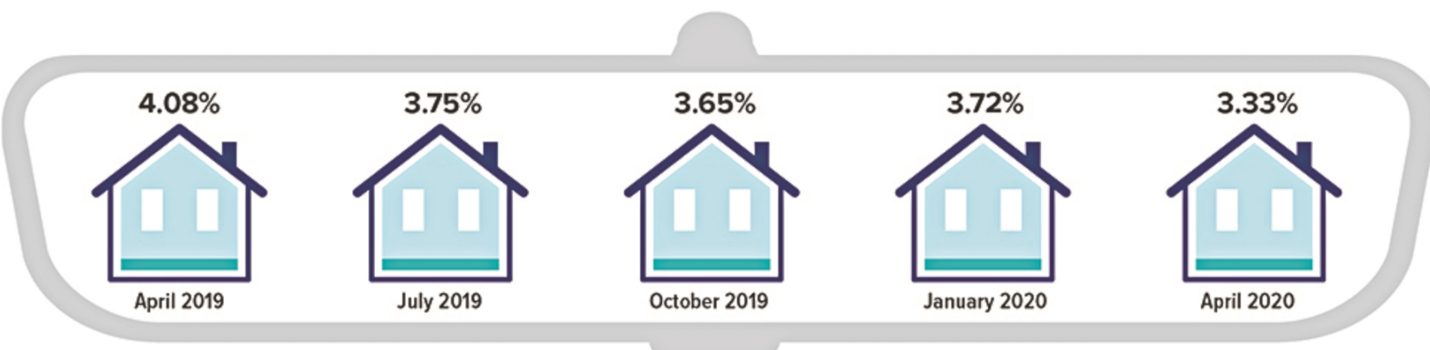
Start by checking your credit score and history. Just as you needed to get approval for your original home loan, you'll need to qualify for a refinance. A higher credit score may lead to a better refinance rate.

Next, shop around. Compare interest rates, loan terms, and refinancing costs offered by multiple lenders to make sure you're getting the best deal. Once you've chosen a lender, you will submit financial documents (such as tax returns, bank statements, and proof of homeowners insurance) and fill out an application. You may also be asked for additional documentation or a home appraisal.

1) Mortgage Bankers Association, March 11, 2020

Rear-View Look at Mortgage Rates

In a single year, the average rate for a 30-year mortgage fell by 0.75%. Low mortgage interest rates often prompt homeowners to refinance.



Source: Freddie Mac, 2020 (data as of first week of April 2020)

Where to Look for Lost Property

U.S. savings bonds were once so popular (and so often tucked away) that an estimated $25 billion in matured savings bonds have never been claimed. These bonds have been caught in a legal battle between the federal government and states that want to take control of the bonds on behalf of residents.[1]

In August 2019, a federal appeals court ruled in favor of the federal government, saying that only the rightful owner could redeem bonds that were missing, stolen, or destroyed (typically by providing serial numbers). However, the Treasury has allowed states to redeem bonds in their physical possession and hold the proceeds for their rightful owner.[2] As this conflict illustrates, one of the challenges of finding lost property is knowing where to look.

State Programs

Every state has an unclaimed property program that requires companies and financial institutions to turn account assets over to the state if they have lost contact with the rightful owner for one year or longer. The state is then responsible for locating the owner.

For state programs, unclaimed property might include financial accounts, stocks, uncashed dividend and payroll checks, utility deposits, insurance payments and policies, trust distributions, mineral royalty payments, and the contents of safe-deposit boxes. State-held property generally can be claimed in perpetuity by original owners and heirs.

Most states participate in a national database called Missing Money; searching on MissingMoney.com is free. You might also need to check specific databases for every state where you have lived. For more information, see the National Association of Unclaimed Property Administrators at unclaimed.org.

Federal Programs

Unclaimed property held by federal agencies might include tax refunds, pension funds, funds from failed banks and credit unions, funds owed investors from U.S. SEC enforcement cases, refunds from FHA-insured mortgages, and unredeemed savings bonds that are no longer earning interest. There is no central database for federal agencies, but you can find more information at usa.gov/unclaimed-money.

Proceed with Care

Finding and receiving unclaimed property to which you are entitled should not cost you money. Though there are legitimate companies that may be paid to locate or offer to help rightful owners obtain property for a fee, you do not need to pay them in order to receive the property. Be on the lookout for scammers who claim to have property in order to obtain other information about you or your finances. If you have questions, contact your state's unclaimed property office.

1-2) *The Wall Street Journal,* August 3 and August 13, 2019