

# Update on COVID-19 Legislation

## *What Residents & Fellows Need to Know*

This is a difficult time for so many, and physicians are no exception. We know this is a tough time as elective cases are cancelled and people are staying away from clinics and ERs for fear of exposure. If you are finishing training this year, you may be particularly nervous about what this means for your future employment.

### **The good news is:**

- 1.** Demand for all that elective stuff isn't going away, it is merely delayed. As this passes, volumes (therefore incomes and need for specialists) should ramp back up.
- 2.** Recent legislation provides money to hospitals, clinics, and practices to keep cash flow healthy to pay you.
- 3.** Legislation also provides individual physicians with some good back up options to temper expenses and access cash during this uncertain time.

The purpose of this piece is to explain #3 – the components of the CARES Act that will give you some additional options should you need them during this time.

## **The CARES (Coronavirus Aid, Relief and Economic Security) Act Signed into Law on March 27, 2020**

*The CARES Act is a nearly \$2 trillion stimulus package to help individuals and businesses weather the financial implications of COVID-19. The Act is nearly 900 pages long – the below will cut to the chase of what you need to know.*

### **Recovery Rebate Checks**

Most Americans are going to receive checks from the government in the coming weeks (maybe months). If you were already in practice, you would be disqualified due to high income. But since you are in training, as long as you don't make more than \$75k if single and \$150k if married, you will get some money!

Here's how it works – each adult gets \$1200 (so that's \$2400 for a married couple) and then you get an additional \$500 for each child under 17. They will base this on your 2018 or 2019 tax return (whichever is the most recent you filed) even though it's technically supposed to be based on 2020. Even if your 2020 income ultimately eclipses the income limit, they will not take the money back when you file for 2020!

In order to be sure you get your funds, you either need to have direct deposit on file with the IRS from 2018/2019 or they need to have your current address. If you do not do direct deposit for refunds and have moved since your last tax return, you will want to notify the IRS of your current address per these instructions: <https://www.irs.gov/taxtopics/tc157>.



### **Penalty-Free Retirement Distributions**

If you have been impacted by COVID-19 (what physician hasn't?) and need access to funds beyond your emergency reserves, you are eligible to take up to \$100k from any retirement accounts you may have (IRAs/403bs/401ks) without penalty. Those funds would need to be repaid over the next 3 years, otherwise the distribution will be taxed as a withdrawal.

### **Federal Student Loan Payments & Interest Waived**

The CARES Act waives federal student loan interest through September 30, 2020. You are also allowed to stop payments during this period without penalty. Even better, these skipped payments still count toward PSLF.

It is unclear whether loan payments will be stopped automatically or if this needs to be done manually by each borrower. To be safe, if this is an option you plan to take advantage of, log into your account and stop your payments now to resume in October 2020. If you are planning on PSLF, this is an amazing option to take advantage of to get even more benefit with loan forgiveness!

### **Qualified Medical Expenses**

Beginning in 2020, over the counter medications and feminine products will be included as qualified expenses for flex spending accounts (FSA) and health savings accounts (HSA).

If you have a flex spending account through your employer, this is great news! Those funds do not "roll over" year to year and this new provision will make it much easier to spend your account down to zero this year!

### **Charitable Giving Deduction**

If you take the standard deduction (which most residents and fellows do) and you are charitably inclined, you can deduct \$300 of charitable contributions this year.

### **Unemployment Assistance**

For those who have to file for unemployment, the federal government is adding \$600/week (for up to 4 months) to the maximum benefits provided by your state, the benefit waiting period is shortened, and the benefit period is extended by 13 weeks. While this may not apply to many physicians, it may benefit others that you know so we included the information anyway.

We hope this makes it easier for you to understand key provisions of the CARES Act and how they apply to you. If you would like to discuss any of these items in more detail, your Vestia advisor can help!

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