

Update on COVID-19 Legislation

What Physicians Need to Know

This is a difficult time for so many, and physicians are no exception. We are hearing from clients across the board that volumes are down. Elective cases are cancelled, people are staying away from clinics and ERs for fear of exposure, and physician cash flow may be impacted as a result.

The good news is:

- 1.** Demand for all that elective stuff isn't going away, it is merely delayed. As this passes, volumes (therefore income) should ramp back up.
- 2.** Recent legislation provides money to hospitals, clinics, and practices to keep cash flow healthy.
- 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

You may be seeing headlines that all Americans are getting checks from the government as a result of the CARES Act. Before you get too excited, there is an income limit phase out that most every physician will eclipse.

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. However, if you make more than \$75k single / \$150k married, your family's check is reduced by \$5 for every \$100 you are over the limit. With most of our physician clients making north of \$300k, that means most of our clients will not be receiving checks.

If you have a child age 17 or older who is still a dependent on your tax return, they neither count as a child for the \$500 nor as an individual for the \$1200. An adult child who is no longer your dependent will qualify for their own \$1200 if they do not exceed the income threshold.



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 IRAs/401ks/403bs without penalty. Those funds would need to be repaid over the next 3 years, otherwise the distribution will be taxed as a withdrawal.

RMDs Waived for 2020

If you are in your 70s and taking RMDs, you are no longer required to complete one for 2020. The idea here is to give your account time to rebound rather than being forced to cash out at a low. If you turned 70.5 in 2019 and have not yet taken your first RMD, the same waiver applies.

If you have an inherited IRA or have already taken your 2020 RMD, speak with your advisor regarding options available to you.

Federal Student Loan 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 (this usually only applies to doctors who do not have a mortgage or have paid off most of their mortgage) and you are charitably inclined, you can deduct \$300 of charitable contributions this year.

If you itemize deductions (applies to most doctors) you can deduct cash contributions to charity up to 100% of your income for 2020, with any excess carried forward up to 5 years.



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 or employees of your practice 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!

(877) 669-1126 | hello@vestiaadvisors.com | www.vestiaadvisors.com

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