

We hope you and yours are staying healthy and keeping positive as we navigate through this unusual time. I have been “energized” (but not surprised) by the outpouring of creative ways that people have stepped up to provide for those in need, stayed in touch with their loved ones, worshipped on-line from their homes, discovered their children can learn on-line, and encouraged each other as the days drag on. I have been blessed to hear from business owners who have worked with their teams to continue pay checks for the near term, allowed parents to stay at home with their children when needed and assisted their furloughed team members in taking advantage of the expanded unemployment programs available to them.

Team JVL has been hard at work, working remotely and yet staying in touch via calls, texts and e-mails. A new way of efficiency but efficient never-the-less. We are business as usual and always available when you need us.

It is in times like these that the true spirit of a person and a nation is revealed!

Let’s take a few moments to “see what has happened”.

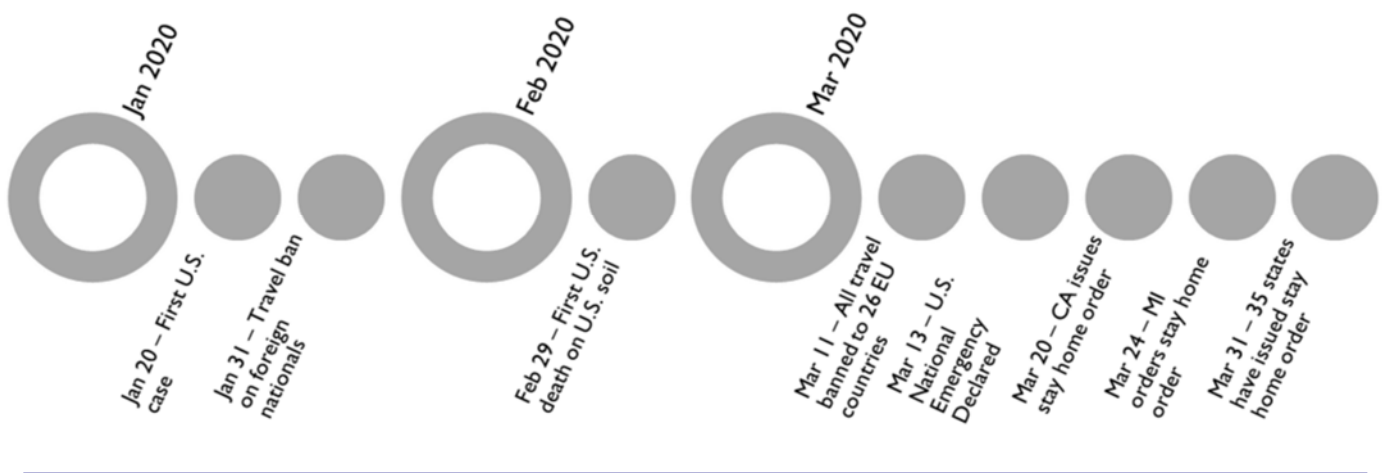
How did we get “here”?

The following is a timeline of the key dates and events around the world leading into the COVID-19 pandemic:

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- **December 10, 2019** – A merchant in Huanan Market falls ill in what is believed to be the first case of COVID-19.
 - **December 30, 2019** – Dr. Li Wenliang, an ophthalmologist at Wuhan Central Hospital, participates in a meeting via WeChat with seven other doctors. The topic was the growing number of cases that resembled the SARS outbreak of 2002.
 - **January 11, 2020** – China announces the first death due to COVID-19.
 - **January 14, 2020** - The World Health organization (WHO) sends out a tweet saying “Preliminary investigations conducted by the Chinese authorities have found no clear evidence of human-to-human transmission of the novel #coronavirus (2019-nCoV) identified in #Wuhan, China”
 - **January 22, 2020** – With 17 deaths and over 500 cases, the Chinese government officially locks down Wuhan. By this time, the city’s mayor admits that more than 5 million people have already left the region.
 - **January 30, 2020** – The WHO declares a global public-health emergency.
 - **February 2, 2020** – The Philippines announced the first death from COVID-19 outside of China.
 - **February 9, 2020** – The death toll in China from COVID-19 surpasses that of the SARS epidemic of 2002-2003, with 811 deaths recorded.
 - **February 11, 2020** – The WHO officially names the coronavirus COVID-19
 - **March 8, 2020** – Italy places all 60 million residents on lockdown.
 - **March 11, 2020** – The WHO declares the outbreak a pandemic.
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The timeline for the U.S. trailed by about 5 weeks:

- **January 20, 2020** – the U.S. reports its first case of COVID-19 in a 35-year-old man in the state of Washington who had traveled with his family to Wuhan, China.
- **January 31, 2020** – President Trump bans foreign nationals from entering the U.S. if they were in China within the prior two weeks.
- **February 29, 2020** – the U.S. announced its first death on American soil from COVID-19.
- **March 11, 2020** – President Trump bans all travel from 26 European countries.
- **March 13, 2020** – a U.S. national emergency is declared.
- **March 20, 2020** – California becomes the first state in the U.S. to order its residents to stay home to deter the spread of the virus.
- **March 24, 2020** – Michigan, joined with many other states in ordering its residents to stay at home.
- As of **March 31, 2020** – over 35 states had issued some form of stay at home order, affecting more than 75% of the U.S. population.



What has been the Governments' response?

In response to the COVID-19 crises, the federal government passed three separate bills to help alleviate the financial and economic impact from this health crisis:

- **March 6, 2020** – President Trump signed the *Coronavirus Preparedness and Response Supplemental Appropriations Act* which provided \$8.3 billion in emergency funding for research and development of vaccines, therapeutics, and diagnostics as well as funding for state and local response efforts and funding to address potential supply chain interruptions.
- **March 18, 2020** – President Trump signed the *Families First Coronavirus Response Act* which provided \$1.25 billion for nutritional assistance for lower income families and seniors, \$1 billion to support state unemployment programs and mandated that private health plans and Medicare Part B plans provide coverage for COVID-19 diagnostic testing. In addition the Act expanded the definitions of “emergency paid leave” and “paid sick days” to include persons affected by COVID-19.
- **March 27, 2020** – President Trump signed the *Coronavirus Aid, Relief, and Economic Security Act* (*CARES Act*) which provided \$2 trillion to fund direct payments to individuals, expanded unemployment benefits, expanded tax benefits to businesses that kept their employees on their payrolls, and created programs for businesses to stay in business during the shut downs.

In addition to the above, the Federal Reserve has acted as well. On March 3rd the Fed cut their interest rate by .5% and then on March 16th they cut another 1% bringing the rate down to a range of 0 to.25%. The Federal Reserve also announced a series of programs to buy bonds in the marketplace and backstop various financial instruments to provide enough liquidity to keep the markets operating.

What details should I know?

Direct payments to individuals:

All U.S. residents (subject to adjusted gross income limitations), who are not a dependent of another taxpayer, are eligible for a \$1,200 payment from the U.S. government (\$2,400 for married filing jointly). In addition, they are eligible for an additional \$500 per child who is a dependent under the age of 17.



The full amount is available for individuals with adjusted gross income (AGI) under \$75,000 if filing as single and \$150,000 for married filing jointly (MFJ). There is a phase out of the amount for AGI between \$75,000 (\$150,000 if MFJ) and \$99,999 (\$198,000 MFJ). No payment is available for individuals with AGI in excess of the above thresholds.

Payments will be made based on the most recent tax return information available to the IRS (2019 if filed, 2018 if 2019 not yet filed) with the amount direct deposited into the bank account reported on the last filed tax return. For seniors who receive social security benefits but do not file a tax return the funds will flow to the bank account where their SS benefits go. For taxpayers without direct deposit on file with the IRS, checks will be mailed to the last mailing address available to the IRS.

Federal expansion of unemployment benefits:

- The Federal government will reimburse states if they waive the one week waiting period for eligibility. This allows states to pay benefits immediately.
- The Federal government will pay an additional \$600 per week (over whatever the state benefit is computed at) for up to four months.
- The Federal government will pay an additional 13 weeks of benefits after state benefits have been exhausted. (from 26 weeks to 39 weeks in Michigan)
- The Federal government created a temporary Pandemic Unemployment Assistance Program to provide unemployment benefits to those not traditionally eligible for benefits through December 31, 2020 (self-employed individuals, independent contractors, those with limited work history).



Changes to Tax Rules:

- The IRS (and the State of Michigan) have delayed the tax filing due date from April 15 to July 15, 2020. There is no extension form to file – the delay is automatic.
- The IRS (and the State of Michigan) have delayed the due date for tax payments from April 15 to July 15, 2020. This includes both the balance due with the 2019 return and the first quarter 2020 estimated payment. There is no interest or late payment penalty due if payments are made by July 15, 2020. NOTE: second quarter estimated tax payments originally due June 15 are also extended to July 15, 2020.
- The IRS has waived the Required Minimum Distribution (RMD) rule for 2020. Retirees have the option of taking any amount they choose for 2020 – without required minimums.
- The IRS will waive the 10% early withdrawal penalty on the first \$100,000 withdrawn from a qualified retirement account if used for “coronavirus related purposes” (as defined in the Act). In addition, the federal income tax on the amount withdrawn can be paid over a three-year period. As an alternative, an individual can recontribute the amount withdrawn within three years to avoid tax.

Changes to Tax Rules (continued):

- To encourage charitable giving in 2020, the IRS is allowing an above the line deduction (available to those who do not itemize deductions) for the first \$300 (\$600 for MFJ) of charitable contributions. In addition, for those who do itemize their deductions, the IRS is allowing charitable contributions in full, without the limitation of 50% of AGI (subject to certain limitations).
- Employers can pay up to \$5,250 towards an employee's student loan on a tax-free basis during 2020.
- To accelerate cash for companies, Net Operating Losses (NOL) incurred in 2018-2020 can be carried back for five years and can fully offset prior taxable income.
- Businesses, especially in the hospitality industry, can immediately write off the cost of leasehold improvements rather than depreciating them over a 39-year life.
- Individuals may use HSA (Health Savings Accounts) and FSA (Flexible Spending Accounts) funds to purchase over-the-counter medical products, including those in quarantine and social-distancing, without a prescription from a physician.

Deferment of Loan Payments:

- Requires the deferment of all student loans (principal and interest) owned by the Federal government (95% of loans) for 6 months, through September 30, 2020, without penalty to the borrower.
- Provides up to 180 days of forbearance for borrowers of a federally backed mortgage loan who have experienced a financial hardship related to the COVID-19 emergency. Applicable mortgages include those purchased by Fannie Mae and Freddie Mac, or insured by HUD, VA, or USDA. This ends at the earliest of the termination date of the national emergency concerning the coronavirus or December 31, 2020.

Keeping American Workers Paid and Employed Act:

- Provides a refundable payroll tax credit for 50 percent of wages paid by employers to employees during the COVID-19 crises. The credit is available to employers whose (a) operations were fully or partially suspended, due to a COVID-19 related shut-down order, or (b) gross receipts declined by more than 50% when compared to the same quarter in the prior year. The credit is provided for wages paid or incurred from March 13 through December 31, 2020. (subject to certain restrictions outlined in the bill).
- Allows employers and self-employed individuals to defer payment of the employer share of Social Security tax they otherwise are responsible for paying. The deferred taxes are to be paid in two installments, half by December 31, 2021 and half by December 31, 2022 (subject to certain restrictions outlined in the bill).

Provisions for Keeping Businesses in Operation:

Paycheck Protection Program (PPP): Authorizes the Small Business Administration (SBA) to provide loans, which can be forgiven as grants, to small businesses to help them continue to fund employee paychecks.

The PPP loan is available to businesses with fewer than 500 employees and is also available to sole-proprietors, independent contractors and self-employed individuals.

The original loan amount is computed as 2.5 months of qualifying payroll costs and can be forgiven in full for the portion actually used for payroll, mortgage interest / rent, utilities and interest on business loans paid out over the next eight weeks (subject to conditions developed by the SBA). The loans are administered by financial institutions. This program will (if executed swiftly) help businesses to stay in operation during the next eight weeks – getting us into June.



Economic Stabilization and Assistance to Severely Distressed Sectors of the United States Economy:

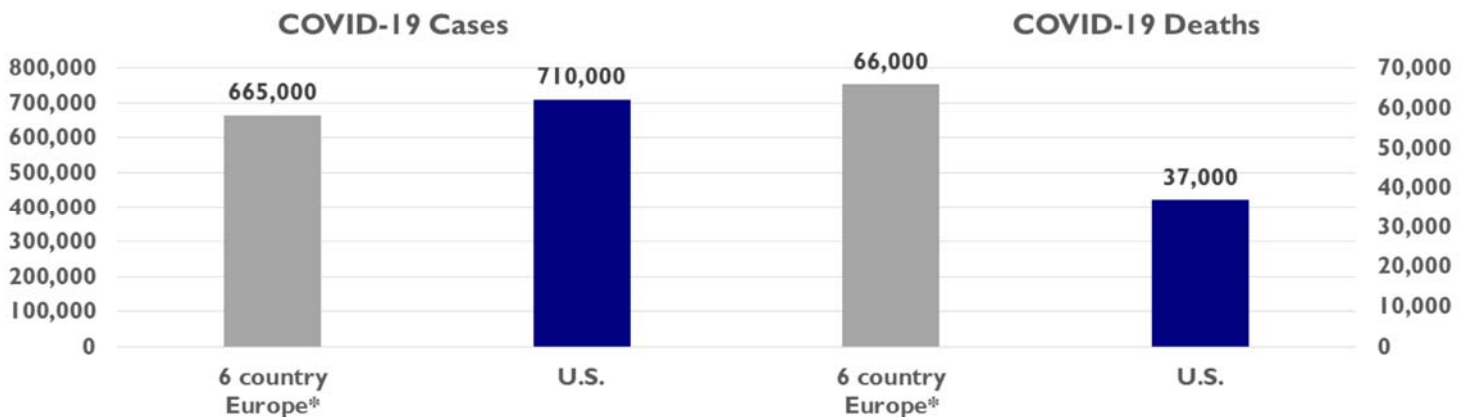
Authorizes the Treasury to provide loans, loan guarantees, and other investments to "eligible businesses" with more than 500 employees. Specific industries named include passenger airlines, cargo air carriers and businesses important to maintaining national security. (Details to be developed by the Treasury).

What is the impact of this?

To the best of my knowledge, the U.S. has never had a self-imposed shut down of the majority of the economy. By government intervention, businesses are prohibited from operating, while those that are allowed to stay open are operating at reduced staffing because of reduced customer demand. Restaurants, hotels, movie theatres, private venues are trying to hang on. Dentists, eye doctors, painters, electricians, home builders, hair stylists are forced to stay shut down. Every week this continues the economy gets further behind.

As the U.S. gets ready to reopen for business, you will be hearing varying opinions on the “facts”. Some takeaways are important to keep things in perspective as the country moves forward:

The six largest countries in Europe* (Germany, France, Italy, Spain, Ukraine and Poland) have a combined population of 337 million people. They have 665,000 confirmed COVID-19 cases and have experienced 66,000 deaths (as of April 18, 2020). Comparatively, the U.S has a population of 330 million people, 710,000 confirmed COVID cases and 37,000 deaths. While we are barraged with numbers, we need to be aware that the U.S. has 40% fewer deaths from the virus than a comparable sized Europe.



There have been some promising studies coming out that indicate that the virus has been much wider spread than originally thought. A study in Germany found that 14% of the sample population was carrying antibodies suggesting that they had already been infected – whether or not they experienced any symptoms. This is similar to the cruise ship Diamond Princess, where 17% of the passengers had been infected, many of them without symptoms. A recently published study out of California found that there may be many more people who have had the COVID-19 virus than have been “confirmed”. Based on their testing the actual number of cases may be 50-85 times the confirmed count. If accurate, these studies indicate that the number of previously infected persons is much larger and therefore the death rate much lower than reported. And, if having the virus makes you immune, it greatly increases the number of persons who could go back into circulation immediately.

Statistics show that the majority of deaths occur in persons over the age of 65 and having preexisting conditions. This information is important as we look for ways to reengage the work force. A staged rollout, based on age and health, may be the most health conscious way to reopen businesses and get the economy moving.

Every life is precious and every death a tragedy.

Our health is vital to our long term success. While the government has stepped in to offer financial assistance, we believe the best long term impact will be made by businesses.

Over the next few weeks economic data will be released for the first quarter. You will hear “highest ever” over and over again as the numbers get reported. Approximately 22 million persons have filed for unemployment in the past four weeks. Other economic data will be just as bleak. The longer it takes for businesses to reopen, the worse the data. We are probably going to be in a recession by end of the second quarter (2 consecutive quarters of negative GDP).

Keep in mind, this is a mandated economic shut down and will have an end. The recovery will not be pro-rata, and some businesses will not be able to recover. Certain people will not get called back to work. It will take time before we jump on an airplane or gather at a crowded restaurant. But once we have a clearer view of the virus...

We can and WILL recover – we always do.

We have used this time to reevaluate our investment holdings in light of our views on the recovery. We have made changes where we see opportunities. We believe we are properly positioned to take advantage of the market’s recovery as the economy opens back up.

Please feel free to give us a call if you have any questions. Team JVL is open for business and ready to assist you - helping you make smart financial decisions.

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