

# ClientLine®

July 2020

## GETTING BACK TO BUSINESS

On average, only 40 to 60 percent of businesses recover after a disaster, according to FEMA. That is why having a disaster recovery and business continuity plan at the ready is so important. If you don't have written plans to help you get back to business after the recent shutdown, take notes so you can draft them later.

### THE NEW NORMAL

The COVID-19 pandemic is very different from a flood or fire, triggering creative adjustments to a typical recovery plan. For example, the need for safe distancing and a sanitized environment for those who must be at the workplace is completely new. Employees continuing to work from home longer may add a new twist, too.

### FINANCIAL ASSISTANCE

Financial aid is common during disaster recovery, but this time it's different. If you received a federal loan, make sure you follow the rules to the letter. Stay apprised of any new assistance packages and be prepared to apply quickly.

### CRITICAL SUPPLIERS

Identify which of your vendors could jeopardize your business and develop a contingency plan in case they are unable to deliver needed goods or services.

### REDEFINE SERVICES

Chances are that some businesses may not look the same as they emerge from the COVID-19 lockdown. If your business model doesn't seem sustainable, get creative and act quickly.

### CHECK INSURANCE COVERAGE

Business interruption insurance is generally very important after a disaster. However, this time insurers have been reluctant to pay claims because company

operations were interrupted due to a government-mandated shutdown of non-essential businesses, not a natural disaster. If you have insurance, stay updated on the status of your claim. If you do not have business interruption insurance, apply for coverage as soon as you are back up and running. Also, take time to refine your business recovery plan because you never know if a natural disaster could strike.



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## 2019 Tax Filing Deadline Extended

In order to help businesses and individuals cope with the fallout of the COVID-19 crisis, the IRS extended the 2019 federal tax filing deadline from April 15 to July 15, 2020. The extension also applies to 2019 traditional IRA and ROTH IRA contributions. Payment of 2020 first and second quarters' estimated taxes is also postponed to July 15, 2020.

It's important to note that some states—but not all—have extended filing deadlines. Check with your state to avoid late penalties.

### Need More Time?

Don't miss the July 15 deadline because any taxes filed on July 16, 2020 or later will be subject to penalties and interest accrual—unless you have filed for an extension to October 15, 2020. To apply for the extension to October 15th, individuals must file IRS Form 4868 while businesses need to file Form 7004 by July 15th.

# EMERGENCY FUNDS

The COVID-19 pandemic provided a heightened awareness for the need to have an emergency fund. Because cash flow is key to survival, the government rushed to boost unemployment benefits and provide loans for businesses. Now, as we recover from the COVID-19 crisis and rebuild financially, one of your top priorities should be to build or replenish your emergency fund.

## FAMILY BUDGETS

The rule of thumb is to accumulate three-to-six-months' worth of living expenses over time. To do this, work to find an effective balance between lowering your spending and increasing your earning power in order to boost your ability to save money.

Perhaps one positive aspect of social distancing might be the money you saved with dine-in restaurants and other retailers closed. As businesses reopen, you could continue to save money if you are careful about discretionary spending.

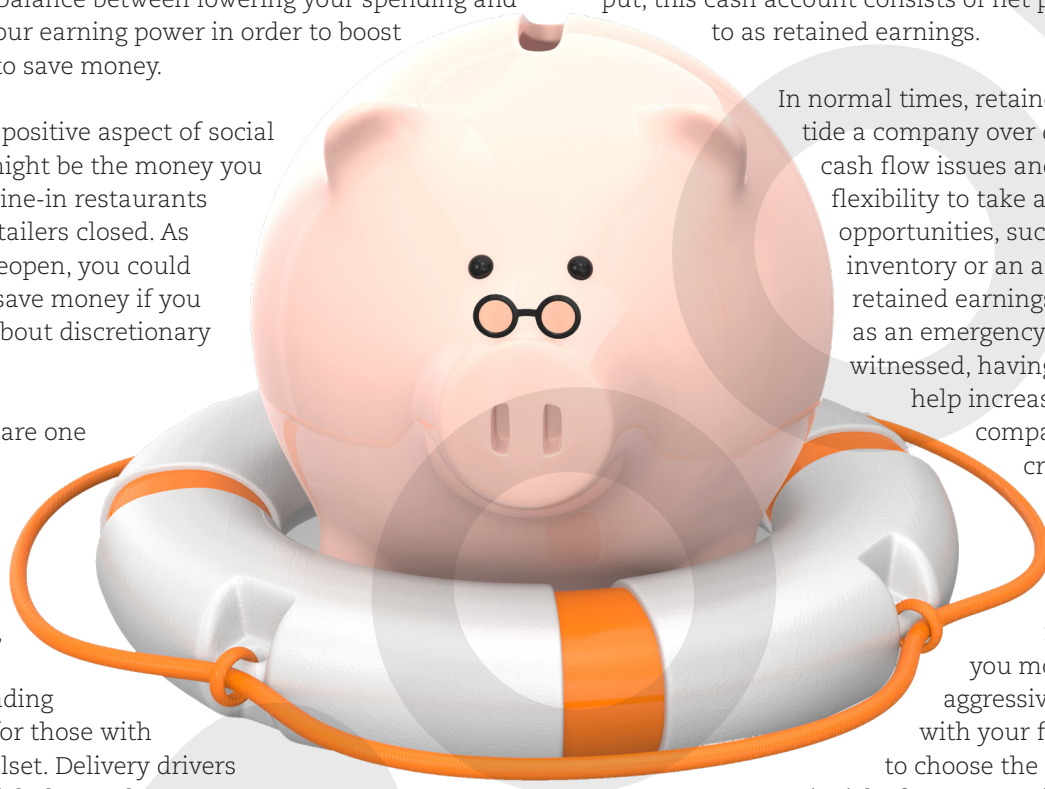
Side hustles are one way to help you earn additional income. Online gigs like tutoring, transcribing and proofreading are options for those with the right skillset. Delivery drivers are also in high demand.

## BUSINESS RETAINED EARNINGS

If you are a small business owner, you need to concern yourself with managing cash for your business, too. Simply put, this cash account consists of net profits and is referred to as retained earnings.

In normal times, retained earnings can help tide a company over during inevitable cash flow issues and provide the flexibility to take advantage of potential opportunities, such as inexpensive inventory or an acquisition. But retained earnings can also be used as an emergency fund. And as we all witnessed, having access to cash can help increase the odds that your company will survive a crisis.

As your business begins to adapt to the new normal, it's important that you monitor expenses aggressively and work closely with your financial professional to choose the savings vehicle that is right for your retained earnings fund.



## Client PROFILE....

**Nicole has been furloughed from her job at a major hotel chain. Her temporary suspension is scheduled to last through August at least. How does this affect her income and benefits?**

Nicole can apply for unemployment benefits. Thanks to the CARES Act, she will receive a \$600 weekly benefit for all weeks of unemployment between April 5, 2020 and July 31, 2020, in addition to the amount she is entitled to receive under state law.

As a furloughed employee, Nicole may or may not still be eligible for her employer-sponsored benefits, including health insurance. No general rules apply to every situation, as all circumstances are somewhat unique. She should reach out to her human resources

department to determine if any changes have been made to her employee benefits.

To help manage her money until then, if Nicole has debt, such as student loans or a mortgage, she should consider the debt forbearance programs made possible by the CARES Act, which suspends payments between March 13, 2020, through Sept. 30, 2020.

*Client Profile is based on a hypothetical situation. The solutions we discuss may or may not be appropriate for you.*

# TIME TO REGROUP

Many of us may have avoided looking at our investment portfolios after the major economic disruption brought on by the closure of non-essential businesses. However, as you recover from shell shock, it's important to review your financial situation.

## INVESTMENTS

Financial market volatility can throw off asset allocation, so your portfolio likely needs some finetuning. Make sure you've allocated the right type of investments with the timing of each goal including short-term, mid-term and long-term. Also consider your tolerance for risk and diversify among asset classes.

## TAXES

As Tax Day for 2019 comes and goes, talk to your tax advisor about any potential changes you should consider for the coming year. It's not too late to alter your

strategy in order to lower your 2020 tax obligation.

## INSURANCE AND ESTATE PLANNING

The COVID-19 crisis has made us all highly aware that our lives can change in an instant. Maybe it has motivated you to finally draft a will (see article below) and address any other estate planning needs you may have. It is a very loving thing to do for your family. Now is also a good time to review all of your insurance coverage, which may need adjustments if you've experienced major life changes.



# MUST-HAVE DOCUMENTS

Three legal documents — a will, powers of attorney and an advance directive — are essential elements in an overall strategy to protect the ones you love, providing a measure of certainty when you can't. An estate planning attorney can help you create and update these legal documents.

## WILL

A will is the one document most people need, even when they don't have great wealth. A will can direct how your assets are distributed and provide crucial instructions for taking care of minor and special-needs children. It can provide basic information such as the names of potential guardians and directions for distributing assets to care for those left behind.

## POWERS OF ATTORNEY

Financial powers of attorney name a person who will handle your financial affairs if you can't. Two common types of these assignments are limited and durable powers of attorney.

Singular events, such as an absence when signing a legal document is required, might activate limited powers. Durable powers of attorney typically go into effect when people are incapacitated and can't make financial decisions for themselves.

## ADVANCE DIRECTIVE

When you can't make healthcare decisions for yourself, an advance directive can provide general guidance. For instance, you may not want resuscitation or ventilator assistance if you are nearing end of life or have suffered significant brain damage. Alternatively, you can assign healthcare, or medical, powers of attorney to individuals who would make these decisions for you.

# ... Q & A

**Q** I have a couple side gigs and my only bookkeeping record is my checking account and charge cards. Where do I start to make tax preparation easier?

**A** With the higher standard deduction, it may or may not make sense to track expenses for the purpose of tax deductions. You can track expenses and save receipts using various software packages or smartphone apps. Your tax advisor can help you make these decisions. Remember to pay estimated taxes quarterly. It is recommended that you keep business and personal accounts separate.

**Q** How can I improve my credit score?

**A** Poor credit can raise your borrowing costs or eliminate your ability to borrow altogether, and it can even disqualify you from employment opportunities. To improve your score, start by understanding your problem. Do you make late payments or carry too much debt compared to your overall credit limit? Make it your mission to pay every bill on time. A recent history of on-time payments will help improve your score. If you carry too much debt, stop spending and start paying it off. Creditors want to see responsible customers. Don't add to your debt. Applying frequently for new cards or loans can also hurt your score.

# ClientLine<sup>®</sup> SHORT BITS....

## > PARENTS DOING TOO MUCH?

According to a new Pew Research Center study Americans believe that young adults should be financially independent by age 22, but that is not the reality. The study found that only 24% of young adults were financially independent by age 22 or younger, compared with 32% in 1980. Also 45% of adults ages 18-29 reportedly received financial help from their parents in the past 12 months.

## > SMALL BUSINESSES AND PPP

The National Federation of Independent Businesses reported that 70% of small business owners tried to apply for the Paycheck Protection Program as of

mid-April. More than 72% of those who submitted applications did so successfully. The majority of this group (84%) already had some type of account with the bank.

## > CORONAVIRUS PHISHING ATTACKS

Global governmental entities, including the FBI and WHO, are issuing warnings about increasingly common email scams. Some may promise a vaccine or solicit donations for COVID-19 victims. Others are trying to take advantage of the new work-from-home movement by impersonating your company's human resources department and requesting log-in credentials. It's more important than ever to remain vigilant in monitoring your inbox and verifying all

identities before clicking links or sending a response.

## > INDUSTRIES THAT PROFITED DURING COVID-19

While the coronavirus pandemic has been devastating to businesses around the globe, some sectors have flourished. Meal delivery kit service Blue Apron, for example, struggled after going public a few years ago, but has since seen a surge and is actively hiring. Other unconventional items that have jumped in popularity include bidets and high fashion face masks that were originally designed for those with immunosuppressant issues.

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