# Women and the Pandemic: Planning for a Healthy Financial Future

Over the past year, we've all felt the effects of the coronavirus pandemic in one way or another. But, as the job losses and unemployment numbers tell us, it's staggeringly clear that women—particularly women of color—have been disproportionately affected. Women have lost or scaled back their careers, with their labor force participation now at a 30-year low. At the same time, their responsibilities in terms of child care and home schooling have risen by more than six hours per day. For many, it's reached a crisis point.

If you're one of the many women whose lives and finances have been turned upside down by the pandemic, you might be struggling with what to do next. Fortunately, there are strategies to address your immediate concerns and help you plan for a healthy financial future.

## A Taxing Time

**Unemployment compensation.** Did you know unemployment compensation is taxable, including the additional weekly $600 authorized by the CARES Act? (To learn more, see Form 1099-G, Certain Government Payments.) At the state level, only five states that tax income—California, Montana, New Jersey, Pennsylvania, and Virginia—do *not* tax unemployment benefits.

In recent news, the American Rescue Plan Act (ARPA) signed by President Biden on March 11, 2021, includes some tax relief. Under ARPA, the first $10,200 of unemployment benefits received in 2020 will be tax-free for individuals whose modified adjusted gross income (MAGI) is less than $150,000.

If you are unemployed and will continue to receive unemployment payments in 2021, there's a simple solution to minimize any future tax surprises: complete [Form W-4V] to voluntarily withhold taxes from your unemployment benefits. The withholding rate is a flat 10 percent.

## Coronavirus-related distributions (CRDs).

If you supplemented your cash flow with CRDs from an IRA or other retirement plan (e.g., 401(k)), you will have more complex choices to consider. To help make the decision that's right for you, it's important to know all of the options:

- The full amount of the distribution may be reported as income in the year it's distributed.
- The full amount of the distribution may be reported ratably in one-third increments spread over three years. For example, an individual who received a $9,000 CRD in 2020 would report $3,000 in income in 2020, 2021, and 2022.
- Individuals have a three-year window that begins the day after they receive a distribution to recontribute all or a portion of it to a retirement plan or IRA.
- Individuals who reported a CRD and then rolled it back into an IRA or retirement plan can claim a refund for the income tax paid in a prior year.

**Please note:** The choice to report a distribution in one year or to spread it out ratably over three years is irrevocable, so it requires careful consideration.

## Health Care Coverage

Health insurance can be the biggest immediate worry after losing a job, especially for single mothers who can't rely on a spouse’s coverage. Fortunately, there are several options at your disposal. For example, you may be eligible for Medicaid coverage, especially if you live in one of the 39 states that recently expanded the Medicaid program. Alternatively, the Affordable Care Act’s (ACA’s) Health Insurance Marketplace provides all Americans with nationwide access to health insurance.

**Extended open enrollment.** For those who missed the fall open enrollment period for ACA insurance or who want to make changes to their plan, the federal government is holding an extra open enrollment period through May 15, 2021. State-based marketplaces are another option in California, Colorado, Connecticut, Idaho, Maryland, Massachusetts, Minnesota, Nevada, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Washington, and the District of Columbia.

You’ll need to check each state’s enrollment timeline. If you lose your job after May 15, you will still have a 60-day special enrollment period to find health insurance in either the federal or state marketplace. Marketplaces have links to information about eligibility for premium subsidies and assistance for selecting the right plan.

**COBRA.** Another option is COBRA, though it’s more expensive. You could be covered by this plan—and keep the health insurance policy you had while employed—for 18 months after a layoff or reduction in work hours. Unfortunately, COBRA coverage may cost up to 102 percent of the health plan’s full premium.

**Short-term plans.** Other options, such as short-term health plans, which can be used for up to 36 months, may offer only limited benefits. Unlike ACA plans, short-terms plans aren’t required to provide the following 10 essential health benefits:

- Laboratory services

- Emergency services
- Prescription drugs
- Mental health and substance use disorder services
- Maternity and newborn care
- Rehabilitative services
- Ambulatory patient services
- Preventive and wellness services and chronic disease management
- Hospitalization
- Pediatric services, including vision and dental care

Keep in mind that insufficient coverage for any of these health care needs could expose you to bills that will affect your family's financial security for years. As such, addressing this issue now is vital in coping with the pandemic's long-term effect on your finances.

## Careers in Transition

The Women in the Workplace 2020 report from McKinsey and Lean In highlighted several structural factors causing one in four women to downshift their career or stop working altogether. Among the primary culprits, according to the McKinsey report, are concerns that employers view caregivers of children and adult parents as not fully committed to their jobs. But shifting priorities and changing a career path to meet a present problem will affect your future social security benefits, retirement security, and household net worth.

**Social security.** Social security retirement benefits are based on an individual's primary insurance amount (PIA), which is calculated from your average indexed monthly earnings during your 35 highest earning years. Social security records a zero for each year that you do not earn income. More zeros—especially during the primary earning years after age 40—can reduce your PIA and cannot be recouped through later employment. Although you may think your absence from the workforce will be temporary, it may lead to an extended time away from employment.

**Retirement savings.** Even if your career is in transition, there are still ways to save for retirement. For instance, you can contribute to a spousal traditional or Roth IRA if you are married, file a joint income tax return, and have a modified adjusted gross income (MAGI) below the threshold set for that tax year. If you are older than 50, you can make an extra $1,000 catch-up contribution, as long as your MAGI is below the annual threshold. The amount you can contribute to a spousal IRA will begin to phase out within certain MAGI ranges, and it will end once MAGI exceeds an annual specified limit. Spousal IRAs are available for all married couples, including same-sex unions.

**Planning for a Healthy Post-COVID Life**

As we settle in to 2021, vaccines bring hope that the medical risks may soon be behind us. Unfortunately, that is unlikely to quickly reverse the damage to women's earnings. It is a difficult time, but you needn't navigate it alone. We are here to help you consider all the options when it comes to unemployment compensation, health care, social security, and retirement savings to help stabilize your immediate cash flow and get you back on the road to long-term financial security.

Authored by Anna Hays, JD, LLM, advanced planning consultant, Commonwealth Financial Network®. 

# COBRA Subsidy Provisions of the American Rescue Plan Act

The American Rescue Plan Act, signed into law on March 11, 2021, contains a 100% subsidy for COBRA premiums during the period April 1 – Sept. 30, 2021. This Compliance Bulletin provides information about the subsidy, including eligibility, coverage, notice requirements and funding. Read more now.

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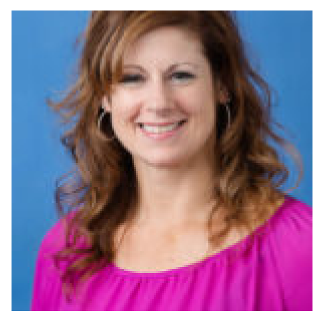
# Who Needs Builder's Risk Coverage?

From Karen Reed:



Builder's risk coverage is essential in helping to protect construction projects, but can be complex and often misunderstood. The bottom line is the materials, supplies and equipment on a building site need protection from theft, fire and other risks.

Who Needs Builder's Risk Coverage?
Any person or company with a financial interest in the

construction project needs builder’s risk insurance. Some common people you may want to include on your policy as insureds include the:

- Property owner
- General contractor
- Subcontractors
- Lender
- Architects

The coverage amount needed is determined by the contract price between the Property Owner and the Contractor. It should be determined prior to the start of construction or renovation as to whom will be responsible for providing this very important insurance coverage.

A builder’s risk policy as part of a thorough risk management plan can boosts a company’s reputation, while protecting your business and providing peace of mind for the contractor and his or her client.

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# A Starter Guide to Selling Your House

From the moment you decide to sell to the day you hand over the keys, selling a home is often unpredictable and time consuming. By being as prepared as possible, you can keep the process moving and achieve the optimal price in the current market.

## Decide when to sell.

You may not have flexibility on timing if, say, you need to buy another home to make room for a new baby or if your employer is transferring you out of state. If you do have a say, however, you’ll want to try to sell your house at the ideal time. Typically, homes sell quicker and at higher prices when the real estate market favors sellers (i.e., when homebuyers are plentiful and homes are scarce). When you put your home on the market can also make a difference. Sales usually heat up in late winter and early spring because many homebuyers prefer to move in the spring and summer.

## Declutter and spruce up.

Take time to get your home in top condition before trying to sell it—but don’t get carried away. You’ll want to hold off on any major home improvements (e.g., renovating the kitchen) because you probably won’t be able to recoup the money and prospective buyers might not share your taste. Focus instead on minor, cosmetic improvements, such as applying a fresh coat of paint, trimming back overgrowth in your landscape, and repairing issues that wouldn’t pass inspection, such as fixing a leaky kitchen faucet or replacing loose bathroom tiles. Also, undertake a thorough cleaning—you may want to hire a professional cleaning service to do it for you.

## Weigh the pros and cons of using a real estate broker versus selling yourself.

Most people hire a real estate broker to help them sell their home, which can be particularly helpful if you don’t have the time or expertise to correctly price your home, market it, and bring in potential buyers. More important, a broker will focus on buyers who have prequalified for a mortgage, which can save time and money.

This expertise does come at a price—6 percent of a home's sale amount, on average. If you decide to hire a broker to help you sell your home, here are suggestions on how to find one:

• Ask friends and relatives who have recently sold homes for recommendations.
• Find out which brokers and agents work in your area by searching on social media, homebuyers magazines, and the internet.
• Ask other types of real estate professionals (e.g., lawyers and mortgage brokers) for the names of brokers they recommend.

Although doing it yourself (commonly referred to as a FSBO, or "for sale by owner") saves on broker's fees and commissions, it requires more legwork. You'll need to advertise that your home is for sale (e.g., lawn signs and online listings), show it to prospective buyers (e.g., hold an open house and make appointments for showings), and deal with the buyer during negotiations. You'll also need to supply the necessary forms and/or contracts (though you can hire a real estate attorney to draw these up).

## Do your research before pricing your home.

Setting the right price matters; it shouldn't be so high that your house won't sell or so low that you'll miss out on profit. A real estate broker can help determine the right price. To have confidence in the price attached to your listing, research the sale prices of comparable homes in your area by visiting popular home search sites. You may even want to hire a professional appraiser to help determine your asking price.

## Prepare to negotiate.

If you hire a broker, all offers and counteroffers are presented through your agent, so you'll probably avoid face-to-face negotiations with potential buyers. If you’re selling your home on your own, you’ll be in charge of negotiating. Be flexible as you review offers, but don’t jump to accept the first offer you get—especially if it’s below your asking price.

## Factor in your financial situation before signing anything.

Accommodations can be made if you’re buying another home and need to come up with a down payment before receiving the proceeds from the sale of your current home. Ask your lender about a bridge loan, which is a short-term mortgage that is paid off once the sale of your home is complete. If necessary, include a closing-on-sale contingency clause in your contract, which allows you to delay the closing on your new home for a certain period of time while you find a buyer for your current home. If you can’t find a buyer within the allotted time frame, the purchase contract is canceled and any deposits are returned to you (unless you and the seller agree to extend the agreement).

In addition, be sure to consider the tax implications of selling your home. Most sellers can exclude from taxation some or all of the capital gains they realize (up to $250,000 for single filers and up to $500,000 for married couples filing jointly) upon selling their primary residence. See IRS Publication 523, Selling Your Home for details.

## Finalizing the Deal

After agreeing to terms with the buyer and deciding how to handle the proceeds, closing is the final step. Your main responsibility will be to make sure that any agreed-upon repairs have been made and that the buyer is getting clear title to the home. Make sure that all of the paperwork is in order—your attorney, who should attend the closing with you, can handle this for you. Then, it’s time to celebrate a done deal!

This material has been provided for general informational purposes only and does not constitute either tax or legal advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a tax preparer, professional tax advisor, or lawyer.

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# How to Read Your Medical Bill

Benefit plans are sometimes confusing and medical bills are becoming increasingly complex and difficult to read. This Know Your Benefits article outlines ways to save money by reviewing your medical bills with a careful eye. Read it now.

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# Health Care Reform: Pay or Play – Employer Shared Responsibility Penalties

The ACA’s employer shared responsibility provisions impose penalties on certain employers that fail to offer an acceptable level of health coverage to their full-time employees (and dependents). This ACA Overview describes the potential penalties and when they can be assessed. Read more in our ACA Compliance Notes. (PDF, new window)

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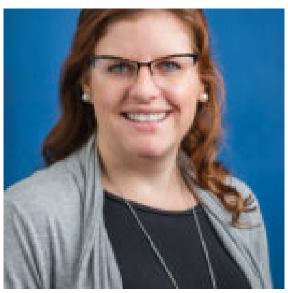
# Anna Moorman Recognized by Anthem for Medicare Sales



Anna Moorman

Anna Moorman has been recognized for Medicare supplement sales in 2020 by Anthem, one of the largest Medicare supplement carriers in the state of Maine.

Anna  is one of two agents at Allen Insurance and Financial who specialize in the complex market of Medicare insurance, working with a number of insurance carriers to give customers a range of choices to suit their needs. Moorman has been with Allen Insurance and Financial since 2012.

This is the sixth consecutive year that Moorman has received an award from Anthem for Medicare sales; for 2020 she was named one of Anthem’s top 20 sales leaders in Maine.

Anna and her colleague Jo-Ann Neal have a goal of simplifying the process of enrolling in a Medicare supplement plan, by providing dedicated, one-on-one attention to their customers, assessing each person’s needs and finding options that will align with their budget and healthcare goals.

More information about Allen Insurance and Financial’s Medicare-related services: AllenIF.com/Medicare

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# March 2021 Benefits Buzz: Temporary COVID-19 Relief for Section 125 Plans

This month’s Benefits Buzz discusses the temporary COVID-19 relief for Section 125 plans and the withdrawal of proposed regulations regarding wellness program incentives. Our benefits division is happy to share this valuable resource. Click here for the PDF.

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# Why Should Your Insurance Agent Review Your Business

# Contracts?

By Chris Richmond
Originally Submitted to WorkBoat Magazine

Clients often ask us to review contracts they are preparing to sign. This is actually the most important part because after they sign a contract there is not much point in our reviewing it. One of the first things we tell them is that we are not lawyers and they should call their own attorney – but we are happy to review the insurance portions. Aside from limits of liability and mandatory coverages, nine times out of 10 there are three requirements which can significantly change their insurance coverage.

**Hold Harmless:** Commonly added to insurance clauses in contracts, this essentially promises to hold harmless from any and all claims the company you are doing business with. This provides a very broad exemption of liability and often can be reworded more favorably to include "in conjunction with your work under this contract." You should also demand the contract is reciprocal to both parties and that the other party holds you harmless, as well.

**Waiver of Subrogation:** Another common condition added to contracts, this essentially prevents your insurance company from collecting from the other party if they were negligent in the claim. If your insurance company pays for damage done to your vessel by the other party in the contract, a Waiver of Subrogation prevents the insurance company from suing the other party in the contract to recoup their payment. Again, if this is required, make sure the other party waives subrogation, as well.

**Additional Insured:** This clause allows the other party to share your liability limits if they are named in a claim related to the work being done in the contract. This means the liability limits are now cut in half, reducing your overall coverage limits – and that the other party in the contract is now getting liability coverage for free. We are seeing this requested more often these days and often an underwriter will want to know the relationship between the two parties, to explain the need to be added as additional insured.

Contracts are part of doing business and can be as simple or as complicated as the parties involved require. When it comes to the insurance language in your contracts, be sure to reach out to your agent for a thorough review and advice on what you are about to sign.

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# Tax Season Scam Alert

With tax season upon us, many of us are busy gathering the appropriate documents, meeting with CPAs, and ensuring that relevant tax deadlines are met. But in all the hustle and bustle, taxpayers also need to keep an eye on the risks, especially tax season scams. Each year, scammers get more savvy with strategies they use to gain access to other people’s personal information and money. To help you steer clear of this year’s top scams, learn red flags to watch out for—along with some timely tax-filing reminders.

## “Ghost” Tax Return Preparers

One truly frightening scam haunting taxpayers is the ghost preparer. These preparers remain hidden from the IRS by not signing returns, making the returns appear to be self-prepared. In cases where the individual e-files, the ghost preparer will refuse to digitally sign the return. The result can be disastrous for taxpayers, leaving them open to serious filing mistakes, tax fraud, penalties, and audit by the IRS.

**Red flags.** To help avoid this issue, be in the know when it comes to red flags surrounding ghost preparers. They usually:

• Don’t sign the return with a Preparer Tax Identification Number (PTIN) (The PTIN is required by law for anyone who is paid to prepare or assist in preparing a federal tax return.)
• Lure clients in with the promise of big refunds (Unfortunately, these scammers will resort to claiming fake deductions to boost the size of the refund.)
• Require payment in cash
• Have refunds directed into their bank accounts, not the taxpayer’s

Pro tip. If you’re looking for someone to prepare your taxes, the IRS has a great online resource that offers a tool for checking your tax preparer’s credentials and tips for avoiding potential tax scammers. No matter who prepares your return, it’s important to review it carefully, including the routing and banking numbers if you’re receiving your refund via direct deposit.

## New Round of COVID-19 Scams

As the coronavirus continues to spread, so do scams, unfortunately. Criminals often try to exploit taxpayers during times of uncertainty, and this pandemic has been no exception. The latest COVID-19 scams center around the most recent round of stimulus payments. They have taken on a few forms, all with the singular goal of stealing taxpayers' money and personal information.

**Red flags.** The IRS Criminal Investigation division has compiled a list of the latest COVID-19 scams. Here's what to be on the lookout for:

• Text messages asking you to disclose bank account information in order to receive the $1,200 economic stimulus
• Emails, letters, and social media messages that use "coronavirus," "COVID-19," and "stimulus" in different ways, requesting personal information and financial account information (e.g., account numbers and passwords)
• Sale of fake at-home COVID-19 test kits
• Fake donation requests for individuals, groups, and areas heavily affected by COVID-19
• "Opportunities" to invest in companies developing COVID-19 vaccines, which also promise these companies will drastically increase in value as a result

**Pro tip.** If you receive unsolicited emails or social media attempts that are aimed at gathering your personal information and appear to be from the IRS or an organization linked to the IRS, forward the message to phishing@irs.gov.

## Online Identity Theft

One of the most common tax scams remains personal identity theft, which is particularly rampant during tax season. Why? By accessing the social security numbers, addresses, and birth dates of unsuspecting taxpayers, scammers can file phony tax returns and steal refunds. The worst part is this can all be done before the victims even know their identities have been stolen.

**Red flags.** So, what can you do to help ensure that someone doesn’t file a return in your name? Know the warning signs of this pervasive scam:

• If you receive an IRS notice regarding a duplicate return, that you received wages from somewhere you never worked, additional taxes are owed, the refund will be offset, or collection actions are being taken against you for a year you did not file a tax return, contact the IRS immediately.
• As noted above, ensure that your tax preparer has the appropriate credentials.
• Unless there is a valid reason, don’t give out your social security number—and always know who you’re giving it to.

**Pro tip.** The best way to avoid this scam is to file your taxes early, before a scammer can access your information. You might also think about using an Identity Protection PIN (IP PIN) to proactively protect yourself from identity theft. The IP PIN is a six-digit number known only to you and the IRS that can be used to help the IRS verify your identity when a paper or electronic tax return is filed.

## Never Has the IRS Ever . . .

When it comes to tax scams, one of the most important things to know is how the IRS does (and doesn’t) contact taxpayers. Here are some things the IRS just won’t do:

• Demand that you pay taxes without the opportunity to question or appeal the amount it says you owe
• Call to demand you make an immediate payment using a specific method (e.g., prepaid debit card, gift card, or wire transfer)
• Threaten to bring in local police, immigration officers, or other law enforcement to arrest you for not paying (Threats are

a common tactic used by scammers.)

So, if you get a call or email that sounds like any of the above, it’s likely a scam. For steps to take if you suspect fraudulent tax activity, visit the IRS’s Report Phishing and Online Scams page.

## Scams Don’t End with Tax Season

Although the focus here is on tax season, we would all be wise to remember that new scams are popping up every day, year-round. So, remain vigilant in keeping your personal information safe and be on the lookout for potential scams.

This material has been provided for general informational purposes only and does not constitute either tax or legal advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a tax preparer, professional tax advisor, or lawyer.