

Solutions for Managing Student Loan Debt

Managing student loan debt has become one of the biggest financial planning challenges for many. In the U.S., student loan debt [rose to \\$1.51 trillion](#) last year, according to the Federal Reserve Bank of New York. So, if you or family members are dealing with the burden of budgeting every month for a student loan, you're not alone.

Fortunately, numerous payment and planning solutions are available to help student borrowers. In addition, this year, the **Coronavirus Aid, Relief, and Economic Security (CARES) Act has provided substantial assistance for individuals holding federal student loans**. It's important to remember, though, that the CARES Act's relief provisions are set to expire on December 31, 2020.

If you're looking for a long-term solution for managing student debt, you'll find a variety of considerations and options below to keep in mind.

Student Loan Relief Under the CARES Act

Interest and required payments on federal student loans owned by the U.S. Department of Education are currently suspended, without penalty, through December 31, 2020. On January 1, 2021, interest will start accruing again and borrowers will be responsible for making monthly payments. Auto-debit payments will automatically resume, if this feature was set up prior to payment suspension. If the required payments aren't made, federal loan servicers may report delinquency for the period beginning January 1.

Income-driven repayment plans. The Department of Education offers several income-driven repayment plans that help you set an affordable monthly payment based on your income and family size. If you're already on a payment plan but your financial situation has changed, you can update your information to see if you qualify for a new, lower payment amount. The plans are:

- **Income-based repayment (IBR) plan.** You'll pay 10 percent of your discretionary income if you're a new borrower or after July 1, 2014, and 15 percent if you're not a new borrower. You'll never pay more than on the standard plan.
- **Income-contingent repayment (ICR) plan.** You'll pay the lesser of 20 percent of your discretionary income or the amount of a fixed payment over 12 years, adjusted according to your income.
- **Pay as you earn (PAYE) and revised pay as you earn (REPAYE) plans.** Generally, undergraduate borrowers who qualify will pay 10 percent of their discretionary income toward their student loans each month, and after 20 years of on-time payments, the remaining balance may be forgiven (payments may be forgiven after 10 years for those in certain public interest jobs and after 25 years for graduate school borrowers).

Deferment, Forbearance, and Cancellation

Although repaying your student loan may become difficult, ignoring your payments is the worst thing you can do. Instead, talk to your lender about possible solutions. Depending on your situation, you may be able to apply for a deferment, forbearance, or cancellation of your loan.

These programs are not automatic. You'll need to fill out the appropriate application from your lender, attach documentation, and follow up on the application process. Also, it's important to keep in mind that interest accrues for most borrowers on

a general forbearance (unlike forbearance under the CARES Act).

- With a deferment, the lender grants a temporary payment reprieve, based on a specific condition, such as unemployment, temporary disability, military service, or full-time enrollment in graduate school. For federal loans, the government pays the interest that accrues during the deferment period, so the loan balance doesn't increase. A deferment usually lasts six months, and the total number of deferments that can be taken over the life of the loan is limited.
- With a forbearance, the lender has discretion to grant permission to reduce or cease loan payments for a certain period of time, though interest will continue to accrue—even on federal loans. Economic hardship is a common reason for forbearance. A forbearance usually lasts six months, and the total number permitted over the loan's term is limited.
- With a cancellation, a loan is permanently erased, but qualifying isn't easy. Cancellations may be allowed due to the death or permanent total disability of the borrower, or if the borrower teaches in certain geographic areas. Typically, student loans can't be discharged in bankruptcy.

Loan Consolidation

With loan consolidation, you combine several student loans into one loan, sometimes at a lower interest rate, allowing you to write just one check each month. You need to apply, and different lenders have different rules about which loans qualify for consolidation. Generally, you can choose an extended repayment and/or graduated repayment plan in addition to a standard repayment plan.

Student Loan Forgiveness Programs

In addition to the repayment assistance programs described above, the federal government offers student loan forgiveness to qualified borrowers. Although the benefits can be substantial, you should carefully consider the potential long-term costs associated with changing your career path. Available programs include:

- **Public Service Loan Forgiveness (PSLF).** The PSLF program forgives the remaining balance on [direct loans](#) after the borrower has made 120 qualifying payments (10 years' worth) while working full-time for a qualifying employer. A [loan simulator tool](#) that can help you assess eligibility is available at studentaid.gov/loan-simulator.
- **Teacher Loan Forgiveness (TLF).** Borrowers must teach full-time for five complete and consecutive academic years in a low-income school or educational service agency and meet other qualifications. The TLF program offers forgiveness of up to \$17,500 on [direct subsidized and unsubsidized loans](#) and your subsidized and unsubsidized federal Stafford loans.

Refinancing Option

Refinancing may be a good option for lowering your monthly loan payments. But, to do so, you must already have a private loan or be willing to convert your federal loan to a private loan—and this could mean losing some benefits. A federal loan cannot be refinanced as a new federal loan with a lower interest rate. Be sure you understand the cons and pros of refinancing:

Cons:

- Borrowers lose the option for student loan forgiveness.
- Private student loans don't offer income-driven repayment

plans.

- Deferments on private student loans are not as generous as on federal loans.
- Variable interest rates could increase.
- There's no grace period for starting payments after leaving school.

Pros:

- Interest rates can be reduced, creating substantial savings.
- Less interest means loans can be paid off faster.
- Loan management is easier if multiple loans are combined.
- Monthly payments can be reduced.
- A cosigner can be released from the new loan.

Need Additional Information?

For assistance in evaluating your options, please a member of the [Allen Financial team](#). We'll talk through these strategies for managing student debt and explore other planning solutions that can help you get on track to financial security.

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.

Paid Leave During Quarantine – Answers for Maine Businesses



With the increasing number of COVID-19 cases in Maine, businesses across the state are seeing employees being quarantined due to diagnosis or close exposure.

It is important to remember that under the [The Families First Coronavirus Response Act](#), all businesses with fewer than 500 employees – nearly the entirety of the Maine business community – are required to provide up to two weeks of pay (80 hours for FTEs) for quarantining employees. This includes our small businesses who may never have had to administer paid sick leave in the past.

With reduced revenue streams resulting from the pandemic, this requirement may cause deep concern.

It is important to also remember that the FFCRA also provides for a refundable tax credit for the payroll in this scenario. The credit currently is available through the end of December with their quarterly unemployment filings (form 941).

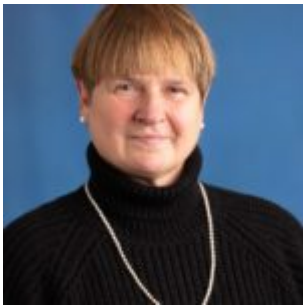
Allen Insurance and Financial has an HR Compliance Bulletin which may answer many of the questions a business owner or manager may have about these scenarios. [Click here for the PDF.](#)

We also recommend a conversation with your tax preparation

professional.

In Uncertain Times, at Least Two Things are Certain: Change and Taxes

By Sarah Ruef-Lindquist, JD, CTFA



Potential for higher federal income taxes is anticipated by experts due to 1) a growing national debt increased by trillion-dollar stimulus spending and 2) possible election results that mean a change in administrations and congressional profile. Increasing taxes levied on high-income earners is nothing new, and reasonably anticipated.

Income Taxes

Currently, the top federal rate is 37% (taxpayers with over half a million dollars a year) and could increase to 39.6%. It is also possible that those who do still itemize deductions will be limited to a cap of 28%.

Capital Gains

Long-term capital gains taxes are currently limited to 23.8% (combined highest rate of 20% plus 3.8% net investment income tax) for taxable incomes with over \$441,450, but it is possible that rate could go to 39.6%, same as the top income tax rate.

These issues may impact the planning of high-income earners between the date of the election and year-end 2020. If you are at an income level that would be affected by these changes, good for you. Still consider talking with your financial and tax advisors soon about strategies that could be available to ameliorate the impact.

Tax on inheritances

For many years, when people have inherited long-term appreciated stock, they were able to avoid the capital gain that had accrued prior to inheriting it. The “step-up” in basis provisions made it possible for heirs to reap the benefit of the full value of appreciated securities because their tax basis would be the date of death value of the stock. If they sold it, their capital gain would be limited to any accrued since they inherited the stock. Often this results in significant tax savings.

However, it is possible that this “step-up” provision will be eliminated with new tax legislation. It is important, therefore, for those including such assets in their estate plans to consider what options they might have to preserve as much of the value of those assets for heirs as possible.

The Catch-Up Payment Provision for Overtime Exempt Employees



The Department of Labor final overtime rule became effective Jan. 1, 2020. Among other things, the final rule also allows employers to use nondiscretionary bonuses and incentive payments (including commissions) to satisfy up to 10% of the salary level if these payments are made at least on an annual basis. To enable compliance with the nondiscretionary bonus option, the final rule allows employers to make a “catch-up” payment at the end of each 52-week period. [Read more now.](#)

Getting Back to Work After COVID-19

By Chris Richmond

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When the pandemic hit, you were probably looking for ways to save money as the economy ground to a halt. Changes in your insurance policy can reflect a lower premium, but can also affect your coverage. As you start to get back in to business, take a look at any changes you may have made to your insurance policy and see if you need to undo them.

As the pandemic hit, some of the first calls I received from clients were requests to remove navigation from their commercial vessels. Their business slowed down and there was no work for the boats, so this was an obvious way to see some immediate relief in their insurance premium. As the economy starts back up again and you see demand and work for your vessels, make sure to have lay up removed from your policy. While the boat is insured at the dock, during lay up the moment you drop the lines coverage ceases unless you have added navigation back to the policy.

Business owners also sought savings on their insurance bill by reducing the annual projected payroll for their workers compensation or USL&H. As renewals came along during the economic downturn, business reduced their workforce and renewals in WC and USL&H reflected this. As business picks up again and workers who had been laid off are brought back, your annual projected payroll will increase. You can wait until the audit at the end of the policy term and get hit with a large additional premium or you can contact your agent and report the increase in payroll. This will result in spreading out the increase in premium over the remaining term of your policy.

Finally, if you have been shut down for a period of time and equipment has been idle, be sure to do your due diligence and make sure all works as it should. Routine maintenance may have been missed or deferred. Inspection dates could have been missed for safety equipment or log books could be out of date for

safety review. Take the time to clean up these area before a fine comes your way.

Starting business back up means getting both customers and your employees back in the door – but don't forget to contact your insurance agent as well. He or she should always be happy to hear from you and help keep your policy up to date.

Pollution Liability: More Than Just the Clean Up

By Chris Richmond

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Most commercial hull policies have a pollution exclusion clause attached. You can often get a buy back endorsement added but the coverages on this vary from company to company and often the clause will not cover what you really need to. What you really need is a stand-alone pollution policy.

A pollution policy not only covers spills related to the Oil Pollution Act of 1990 but also claims brought under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). Remember, pollution is not only petroleum spills;

they can also be spills or discharge of other hazardous materials stored or transported on your vessel. You can have just as much problem with a chemical spill as an oil spill.

And don't think that that barge you tow (the one without an engine or bunker fuel) is safe from pollution claims. What if you have a fuel storage container on deck that somehow ends up overboard? You now have a pollution claim. Should your tow come off and the barge has a collision or allusion - causing a fuel spill - you now have a pollution claim.

After the spill is contained and cleaned up, who is going to pay for your defense costs? As you are well aware, this is a part of liability policies and are key as potential litigation claims can drag on and defense costs mount. Whether or not you are found liable, your defense costs can add up quickly. Having these covered by your insurance policy is very important.

And what if your spill was a total accident? Will that stop any fines or penalties imposed upon you but state or federal authorities? Don't count on it. A pollution policy can provide coverage for fines which may be imposed.

The only thing worse than the actual spill is the image on television or social media of oil-coated birds on the beach. Allowing the public to know that you are doing your best to take care of the situation can go a long way.

While you may never have to use your pollution policy, the coverage it provides for that one time will pay off in the long run. A stand-alone pollution policy is an important part of your vessel's coverage and in some instances is required by the Coast Guard's Certificate of Financial Reasonability (COFR) program. Have a talk with your insurance agent to find out more.

Are You an Intelligent Investor?

Considered “the father of value investing,” Benjamin Graham wrote [The Intelligent Investor](#) more than 70 years ago, and the principles in his book are still highly respected today. Investing legend Warren Buffet, who studied under Graham, called *The Intelligent Investor* “by far the best book about investing ever written.”

Despite what you might think, being an intelligent investor is not about your IQ. Rather, it’s learning how to harness emotions and think for yourself. Let’s explore how to do just that, by leaning on Graham’s advice.

What It Means to Be an Intelligent Investor

“An investment operation is one which, upon thorough analysis, promises safety of principal and an adequate return. Operations not meeting these requirements are speculative.”

The above quote reflects Graham’s definition of defensive investing, which he originally described in his first book, [Security Analysis](#). Here, his focus is on distinguishing the best practices that separate a defensive investor from a speculator. Specifically, defensive investors reach their long-term financial goals by being sustainably and reliably right. In other words, you need to find a balance between controlling risk and maximizing gains, as well as curbing the self-defeating behavior that can reduce portfolio returns.

Consider what can happen when investors blindly follow the

crowd. The January effect, for example, occurs when investors try to follow a mechanical formula for higher stock performance at the beginning of the year. But when investors pile in—assuming that stock prices will follow a traditional trajectory of going up in January after dipping in December—they can create a crowded trade and ultimately lead to underperformance.

Stay the Course and Follow Core Principles

“With every new wave of optimism or pessimism, we are ready to abandon history and time-tested principles, but we cling tenaciously and unquestioningly to our prejudices.”

As market volatility resulting from the coronavirus pandemic demonstrated, investors tend to let their emotions sway their decisions. In volatile markets, some are tempted to abandon the sound investing principles that have stood the test of time. How can you help control those knee-jerk tendencies? Graham recommends the following for a defensive investing strategy:

- Start with a 50/50 portfolio design composed of high-quality stocks and bonds. (Graham defines *high quality* as stocks and bonds of important companies with long records of profitable operations and in strong financial condition.)
- Hold up to a maximum of 75 percent in stocks as the market drops or a minimum of 25 percent in stocks as the market rises. (Buy low and sell high—otherwise known as the rule of opposites.)

Under Graham’s rationale, the intelligent investor may actually *welcome* a bear market as an opportunity to buy low. Other time-tested strategies include buying funds over individual stocks and dollar-cost-averaging into the market.

Determine a Criteria for Investment

“It is our argument that a sufficiently low price can turn a security of mediocre quality into a sound investment opportunity . . . For, if the price is low enough to create a substantial margin of safety, the security thereby meets our criterion of investment.”

The margin of safety is dependent on price paid, and it is defined as the favorable difference between price, on one hand, and the indicated or appraised value, on the other. To determine the appraised (also known as intrinsic) value of a stock, Graham recommends finding companies that meet the following margin of safety criteria:

- Market cap of more than \$2 billion; no small-caps except through a small-cap index fund
- Strong financial condition; current assets are 2 times liabilities; long-term debt less than net current assets
- Continued dividends for at least the past 20 years
- No earnings deficit in the past 10 years
- 10-year growth of at least one-third in per-share earnings
- Stock price not more than 1.5 times net asset value
- Stock price not more than 15 times average earnings of past 3 years

The overriding philosophy behind these requirements? There really is no such thing as a good or bad stock. Instead, think of stocks as either cheap or expensive.

Adopting the Intelligent Investor Mind-Set

“There will continue to be wide discrepancies between price and value in the marketplace, and those who read their Graham . . . will continue to prosper.” – Warren Buffett, appendix of *The Intelligent Investor*

Investing can be difficult. It involves uncertainty and risk, two things most of us aren't naturally comfortable with. But with some guidance supplied by the rules and best practices advocated by Graham, and (of course) your financial advisor, you can become an intelligent investor and achieve your investment goals.

This material has been provided for general informational purposes only and should not be construed as investment advice, a solicitation, or a recommendation to buy or sell any security or investment product. Please contact your financial professional for more information specific to your situation.

OSHA Clarifies COVID-19 Reporting Requirements

The Occupational Safety and Health Administration (OSHA) has published two additional answers to its list of [COVID-19 frequently asked questions \(FAQs\)](#). The new answers clarify when employers must report COVID-19 in-patient hospitalizations and fatalities. [OSHA Clarifies COVID-19 Reporting Requirements](#)

Maine Issues Rules Governing

New Earned Employee Leave Law



Beginning Jan. 1, 2021, Maine will require employers with ten or more employees to implement a paid leave policy for employees unless they are subject to a collective bargaining agreement. This new rule which allows eligible employees to earn one hour of paid leave that may be used for any reason for every 40 hours worked, up to 40 hours per year.

The new regulations, issued in September 2020, clarify certain provisions of the law. [You can learn more here.](#)

The Value Checklists for Homeowners & Home Buyers

By Cale Pickford

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Cale Pickford

Even the most optimistic among us probably would not have forecast the current boom in residential real estate sales. A common refrain over these last months is that there is no better place to weather a global pandemic than Maine. People all over the country agree and more and more families are making the move and calling Maine home. With multiple offers, COVID-19 protocols, virtual showings and listing inventory at an all-time low, real estate agents have never been busier. Such a frantic pace makes it easy to forget important steps of due diligence and best practices. Checklists are an important tool to keep the agent organized and assist in reducing liability and provide better customer service.

There are numerous real estate agent checklists available online and in circulation at agencies. Keep in mind when using a checklist, that no detail is too small when it comes to due diligence. Working proactively will not only protect you from liability it will save you a lot time in the long run – a valuable asset in a hot real estate market. Of course, insurance should be on every real estate agent's checklist and the following can serve as a list within your list:

Location

The old adage that the three most important things in real

estate are location, location and location is just as true for insurance underwriting. Many standard national insurance companies and direct writers do a great job insuring suburban homes but often cannot cover isolated, rural and coastal (in particular island) locations. If you are involved with a sale of a property with one or more of these attributes, makes sure the buyer is working early to secure homeowners insurance.

Flood Plain Concerns

It's logical to pair flood plain concerns with location, because flood plain issues can crop up with any property, not just waterfront homes. If you think there's even a remote chance that a home could be impacted by the special hazard flood plain, you should pull the flood insurance rate maps or work with an insurance agent to provide a flood zone determination. The sooner flood plain concerns can be addressed, the more likely you'll have a favorable outcome.

Occupancy

Many people have decided to move to Maine full time but we're still a state with one of the highest ratio of secondary homes to primary in the country. Secondary homes are always more complicated to insure than primary homes. In addition to having fewer insurers to choose from, owners of secondary homes may be required to install central fire, burglar and low temperature alarms, hire a caretaker, make sure the home is accessible year around, and winterize the plumbing.

Business Pursuits

With more and more people working and learning from home, the lines between personal and business has been completely blurred, and in many cases, almost to invisible. Homeowners should review their plans to use their home for business with the insurer. Another timely consideration is home-schooling pods, a unique

2020 concern which should also be reviewed with an insurance agent for coverage considerations. Home-based businesses such as woodworking, bakeries, boat building, and any situations where clients regularly visit the home, can often disqualify one from a homeowner's policy all together.

Renovations

It makes perfect sense to renovate a home immediately after purchase – just make sure that the buyer communicates their plans with their insurer. Especially with such limited inventory, buyers cannot afford to be picky so there's a strong likelihood someone will want to modify the home to suit their tastes and need. Depending on the extent of the renovation, a buyer might not even be eligible for a homeowner's policy. In an instance such as this, the buyer might need to secure a builders risk or course of construction policy which greatly limits coverage and often costs far more than the equivalent homeowners' policy.

Vacation Rental

The pandemic has only accelerated the trend toward more and more families eschewing traditional hotels and inns for private vacation rental homes. To meet the demand, more and more homeowners are opening up their second and, in many cases, primary homes, to these weekly tenants. Using one's home this way can have significant implications on insurance.

It would be nice if only one of these items on the list would occur per closing, but it is often the case these issues come in twos or threes compounding the problem. Lists allow the real estate agent to keep on track and get ahead of issues before they threaten to derail the deal. Smooth deals mean happy clients which leads to more referrals.