2020 | Q4 Newsletter

In the loop w/ FinDec

If you're one of our clients based in California, you may have heard news about California's state-run alternative retirement savings program called CalSavers. It is for private sector employees of businesses that don't offer a retirement plan. Essentially, by 2022, any employee of a company with five or more employees will be automatically enrolled into CalSavers if their company doesn't offer a plan of their own. Other states have introduced or are introducing these state-mandated plans and many believe this will be a trend we see continue across the country in one form or another.

While the program ensures private employees in California will have some kind of retirement plan moving forward, when we peel back the layers of CalSavers, it becomes a bit more complicated. Yes, the state of California oversees the initiative, but CalSavers is administered by a third-party administrator. Most of the fees collected go directly to them. Moreover, CalSavers does not allow employers to offer matches to employees, a major benefit of so many IRA and retirement plans employers currently offer.

A few deadlines you'll want to keep in mind: If you have between 50 and 100 employees, you are required to register by June 30, 2021 with the California Retirement Savings Program. If you have between 5 and 50 employees, you are required to register by June 30, 2022.

Importantly, employers that already offer a retirement plan will not need to convert to CalSavers; they are deemed "exempt." All employers are required to report to the state and either sign up for CalSavers or prove they have a retirement plan. Those that don't will face monetary penalties that go up based on their number of employees.

What does all of this mean if you're an employer in the state of California and how do you handle it? **We'll be sharing our recent webinar on this topic.**

Coronavirus Stimulus 2.0

On December 21, 2020, Congress finally passed the Coronavirus Stimulus 2.0 bill, another round of economic relief to Americans, in response to the Coronavirus Pandemic. This effort took nearly 6 months of back and forth negotiations between the House and the Senate and was ultimately passed as an add-on to the Consolidated Appropriations Act of 2021. The stimulus package included additional stimulus checks, extensions to unemployment

FinDec

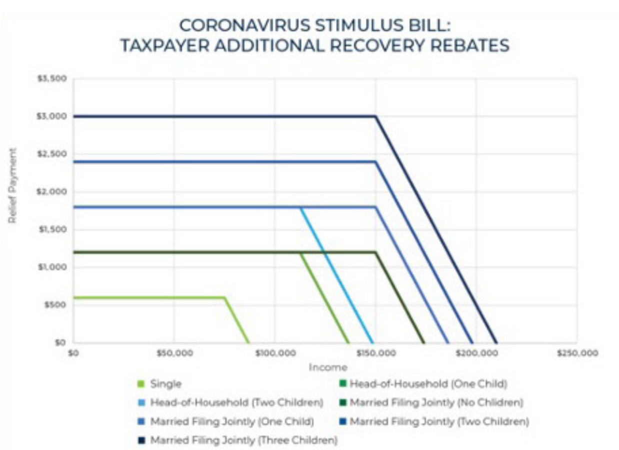
In the loop w/ FinDec

benefits for 11 more weeks along with an additional $300/week in benefits, and small business support from a new forgivable Paycheck Protection Program (PPP2), just to highlight a few measures.

As we saw with the CARES Act that was passed back in March of 2020, the big question for the current stimulus package is when and how much would people get in the form of a stimulus check. The current round of checks (Additional Recovery Rebate) is slated for $600 per eligible individual which includes children age 16 or younger. As with the CARES Act, there is an income phase-out based on the taxpayer's Adjusted Gross Income (AGI) as follows:

- Single Filer = $75,000
- Joint Filer = $150,000
- Head of Household Filer = $112,500

Once a person's AGI exceeds the above thresholds, their stimulus checks will be reduced by $5 for every $100 above the threshold figures. For example, a joint filer with 3 children under the age of 17 will be entitled to $3,000 ($600 X 5) in total stimulus checks if their AGI is under $150,000. If however their AGI is $155,000, their checks will be reduced down to a total of $2,750 as follows: $155,000 - $150,000 = $5,000 over threshold. $5,000/100 = $50 X $5 = $250 reduction. $3,000 base checks - $250 reduction = $2,750.



Source www.kitces.com

For the current "Additional Recovery Rebate" checks, the IRS is using the 2019 AGI figures to determine the thresholds. However, the checks are technically a refundable credit on the taxpayer's 2020 tax return. As such, some taxpayers may have higher income in 2020 than they had in 2019, or vice-versa, which may have an impact on how much of an Additional Recovery Rebate they may receive and when. If a taxpayer's 2019 AGI is under the threshold, they will receive the full amount of the stimulus checks now. If however, their 2019 AGI is above the thresholds, but their 2020 AGI is below, they will receive the additional funds when they file their 2020 tax return. It is important to note that just like the CARES Act stimulus checks, if a person's 2020 AGI is above the limits and they receive the additional stimulus checks because their 2019 AGI was below the limits, the IRS will NOT clawback their check; it is the taxpayer's to keep in full.

		2020 Income	
		Income Lower Than Threshold	Income Higher Than Threshold
2019 Income	Income Lower Than Threshold	Get Recovery Rebate Now Keep Recovery Rebate	Get Recovery Rebate Now Keep Recovery Rebate (Even Though 2020 Income Exceeds)
	Income Higher Than Threshold	No Recovery Rebate Now Recovery Rebate Will be Applied to 2020 Return	No Recovery Rebate Now No Recovery Rebate Applied to 2020 Return

Source www.kitces.com

While the current Additional Recovery Rebate funds have already started being distributed, President Trump has petitioned Congress to increase the amount to $2,000 per eligible individual. The House has already passed the increase in rebate amounts, however the Senate has not pushed the measure forward.

We are here to answer any questions you may have.
We're just an email or phone call away!

FinDec

209 951 8956
info@findec.com

findec.com