

## ***Can You Afford a Financial Crisis?***



As millions of Americans face medical and financial challenges precipitated by Covid-19, only 41% of families have resources to address a \$1,000 emergency and this assumes everyone is employed. Millions of hard-working Americans will be unemployed and many will join the ranks of the uninsured. What actions can you take to prepare? What information should you share now with family, friends and your associates. Here is your

### ***Action Plan with 15 “To Do” Recommendations***

1. Calculate your monthly expenses, eliminating all non-essential expenses. Voluntarily go to survival mode. Do not spend money on anything other than items and services you need. This is the time to plan for the worst. This crisis will impact the economy for more than a year. You should build and conserve reserves. When it ends, you want to be financially sound and able to take advantage of new opportunities.

For high school seniors and college students, evaluate the courses that will be available. Will they prepare you for the new economy? Consider a “gap year,” and how you will make meaningful progress. This is not about “needing a break.” If you don’t use this time wisely, you may find you will have a permanent break. Learn to think, acquire knowledge, start a business, pursue an idea, volunteer remotely? Your world has changed. Do not expect a normal recruiting season, summer jobs and internships. Business is reeling and many have inadequate cash reserves to survive months of reduced or no revenues. How will you capitalize on it?

2. If currently unemployed, apply for state unemployment benefits. It may be difficult to complete an online application. Do not stress. Texas has agreed to calculate benefits based on the date of unemployment, not the date of the application. You should know that Texas must borrow money from the Feds to pay unemployment claims. Your legislature has failed to prepare for emergencies. Hopefully, the Fed will provide. <https://www.usatoday.com/in-depth/news/investigations/2020/03/20/coronavirus-related-unemployment-claims-risk-wiping-out-state-funds/2887707001/>

In the interim, calculate your projected benefits, and reserve money to pay income taxes, but not FICA. Taxes are not withheld. You will pay the extra tax when you file your return.

Also, scale back your expenses to try to live on unemployment. It will be very difficult. But your leadership will communicate to your family the difference between “wants” and “needs.” This may help prepare your family for the future.

3. If working from home or self-quarantined, change your car insurance coverage from “work” to “personal” and lower the miles you expect to drive to probably less than 3,000 miles a year. Take an online Texas Defensive Driving course to reduce your auto insurance premium. The cost is \$25 and the certificate will last 3 years. Contact your agent and ask how much you will save.

4. If you are working from home as an employee, you receive no tax benefits for having a home office. But if you or your spouse use this “isolation” time to launch a business, you could claim a tax deduction for expenses related to having a home office.  
<https://www.irs.gov/pub/irs-pdf/p587.pdf>.

Note, you need a specific area of your home designated for work to claim a deduction. This would be an excellent use for the guest bedroom, basement, attic, or garage apartment.

Calculate the percent of your residence used for a home office - home office area/total livable space. Track all business expenses. Some are 100% deductible, such as wi-fi, cell phone, office supplies, and equipment. Other deductions are based on percentage of business usage, such as utilities, home property taxes, home mortgage interest, or rent. You can deduct these expenses from business revenue, unemployment compensation and any other earned or unearned income. Note, unemployment benefits will only be reduced if you make a profit, so you will probably not lose your unemployment benefits. Since we have no idea how long you could be working from home, start immediately on this project.

If you use a tax preparation software, project your 2020 taxes, with and without a home office, which you would probably maintain through the end of the year. If someone prepares your taxes, discuss this idea with your tax professional.

5. Many people discover when they are unemployed that they really didn’t love their prior jobs or career. Others realize their job lacked the compensation and benefits to become financially secure and independent. Now is a good time to find an alternative career.

Begin by focusing on your interests and passions. Take the Holland Interest Assessment, <https://openpsychometrics.org/tests/RIASEC/> to identify your interests. Connect your newly defined interest to alternative careers, which you can find for free on BLS.org or in the Occupational Outlook Handbook.

Consider taking free online courses to spark your interests and prepare for a new or improved career. <https://digitaldefynd.com/best-free-certification-course-training-online/>

If technology is your passion, there are dozens of free certification programs available on line.

While making these changes, don't forget to update your resume. Review the content of ***Real Life Financial Math*** with recommendations on job interviewing and updating your resume. Make your current "job" finding a new job.

6. If you love your job, now is the time to step-up your performance. To be successful and productive when working from home, realize time management, taking responsibility and initiative, thinking, problem-solving, and communication with your team are essential skill sets. Not all of your management and co-workers will have these skills since most workers have never been expected to develop these skills in high school, college or at work.

We believe when work returns to a new normal, those who have optimized the remote experience, will be rewarded. Keep a journal of all you have done to prepare for the future.

**7. Because the Covid-19 crisis could go on for more than a year, plan on being unemployed!** It may seem drastic, but it is an obvious possibility. You should increase your line of credit on your credit cards. Do not use the line unless necessary and research the interest rate you will be charged when the line is used. You may need to take out another credit card with more favorable terms. NerdWallet is a good resource for credit cards.

8. Contact your mortgage company and request details on how to delay payments without incurring penalties. Ask about continuance of your homeowner's insurance, flood insurance and escrow for property taxes. You should try to lower or delay fixed expenses to give you time to increase emergency fund savings.

9. Do not delay filing your 2019 tax return now if you will receive a refund.

Estimate your 2020 taxes. Under the CARES Act, many taxpayers will receive a check, deposited directly in their bank accounts. This payment is not taxable income. Instead, it is an advance refund on the taxes you will owe for 2020. If it turns out that you would not qualify for the money based on your 2020 tax return, you do not have to return it. It's yours to keep.

10. Secure medical coverage. If unemployed, your medical coverage will probably end and you will be given an option to continue coverage through COBRA. Contact United Way (dial 211 or 311) and request a list of medical insurance resources, especially options for those who are unemployed.

Although Trump did not extend the deadline for enrollment in Obama Care, you may be able to obtain coverage under a "change of life" called a qualifying life event (QLE),

<https://www.healthcare.gov/glossary/qualifying-life-event/> If you had group medical insurance and no longer have coverage, this is a QLE.

When buying private insurance pay particular attention to any coverage exclusions for pre-existing conditions, especially if you have any Covid-19 symptoms.

11. If you or a dependent are enrolled in college, contact student financial aid and ask how you can qualify for scholarships or grants. You may need to refile FAFSA. Note – if your child is working, it is imperative that he or she also be an entrepreneur and think of ways to generate self-employment income, offset by expenses. See #4 & #5. If expenses exceed revenue, these expenses can offset any other earned income. Your child can perhaps avoid being disqualified from receiving a Pell grant.

12. If your high school student is fortunate to be enrolled in the online course **Real Life Financial Math**, mentor your child and read the units on Investing. Remind them that this event has changed their world. Now is the time for them to take responsibility for their education.

13. Support your local restaurants offering deliveries and take out service. Regarding tips, please provide tips in CASH for deliveries, grocery store pick-ups, etc. At one time, we were advised if you added a tip to a grocery store credit card payment, it was not given to the service provider. Ask if this is still true when you place your order. Many “tip based” employees receive a minimum cash wage of \$2.13 / hour plus tips. Grocery store workers receive \$7.25 / hour. That is less than \$300 a week. The \$1,200 from the CARES Act will offset one month of income.

Also, CARES money may not be spent in the most intelligent and insightful way. During Katrina, people spent FEMA payments on alcohol and big screen televisions. Beer and wine sales during Covid-19 have increased 24%. Please encourage everyone to spend these dollars wisely on real needs. The money is an advanced refund of future taxes. It is not clear how the accounting will be managed, but do not assume it is free money!

14. If you are healthy, wealthy and wise, look for opportunities to volunteer remotely. Click on Volunteer Match to see opportunities near you. [www.volunteermatch.org](http://www.volunteermatch.org)

Please donate to support local food banks or call your local fire department to see how you can help. If you have children, encourage them to send a thank-you letter to our first responders at hospitals, EMTs on ambulances, police keeping us safe, and grocery store clerks restocking shelves so we will keep food. BTW, expect a shortage of fresh fruits and vegetables, so start buying canned goods.

Since many nonprofits are supported through grants, with the collapse of the stock market, donations will decline. Your time, talent and treasure can make a real difference in the world. Bless you and stay healthy.

15. Read your brokerage statements. Protect investments, 401(k) plans, IRAs invested in the stock market and savings that are uninsured. Expect municipality and city bonds to be downgraded. Few government agencies were smart to have emergency funds set aside. Expect rising unemployment, underfunding of state unemployment funds, loss of revenues from sales taxes and property tax payments. As Federal debt increases by trillions of dollars, someone will have to try to pay this back. Taxes will increase, inflation will accelerate and businesses will go bankrupt. All of these events will impact earnings. We could be wrong, but we expect a financial tsunami. Now is not the time to be a beachcomber looking for pretty seashells.

*Decker & Associates has more than forty years of providing objective financial counseling to thousands of families. D&A is a social impact enterprise and a boutique financial publisher. Over forty years we have learned to always question our assumptions, consider what can go wrong, be generous when helping others and be optimistic about the future. It is our hope that these recommendations will help you and those you love, prepare and plan for the future. Critically think, conduct your own research and make your own decisions. For comments or questions, email [Lorraine@DeckerUSA.com](mailto:Lorraine@DeckerUSA.com).*