Trust Company of Illinois

BUILDING YOUR FUTURE


From the desks of William M. Giffin, CEO (left) and Kevin Rice, Investment Analyst (right)

FOLLOWING THE LIGHT

We never expected to be writing this from our homes. As our kids transition to online learning and unexpected areas of our homes have suddenly become offices and classrooms, we are learning new vocabulary like "social distancing" and "flattening the curve." Zoom-hosted cocktail hours with friends and virtual family gatherings have become the new normal.

Life is obviously different for all of us as we settle into almost a month of the stay-at-home-mandate.

Every day we hear of heroic stories from the frontline about the miraculous work of first responders, doctors and nurses, and the heart-wrenching stories from families who have been affected by this terrible virus. Our thoughts and prayers are with them.

We continue to follow this health crisis closely and to look for the light at the end of the tunnel. We also are following the financial crisis closely and will offer our views in this commentary.

Early in the first quarter of 2020, we were concerned about trade talks and the election. That has now gone from the front page to the back page as the country fights the virus. We also asked in our last market commentary, "What may tip the scale?" We quickly got our answer: the novel COVID-19.

In this commentary we will touch on where the economy is currently and the impact that COVID-19 has had on the U.S. and global economy as well as what is being done to support the economy during these difficult times.

WHERE ARE WE NOW?

UNEMPLOYMENT

The economy's stretch of employment gains ended abruptly in March after a 10-year run, with employment plummeting by 701,000 jobs and the unemployment rate increasing to 4.4% from a half century low of 3.5%. The abrupt decline in jobs reinforces one of the defining characteristics of this recession, which is the sudden stop in economic activity as efforts to contain the spread of COVID-19 intensified during March. The bulk of the job losses occurred in industries with high social contact like hospitality, retail and restaurants. As people have had to postpone doctor and dentist visits, as well as elective surgeries and non-emergency procedures, significant layoffs have occurred in healthcare, a part of the economy that typically doesn't see job cuts.

▶ *TC Wealth Partners' View*

The March jobs report had the largest one-month drop in history. We are expecting payrolls to contract again in April by well over 15 million as social-distancing measures continue. In our view, we could easily lose more than twice as many jobs as we lost during the Great Recession in the first two months of this crisis alone. We believe that the unemployment rate will be temporarily high, but it will fall once the economy reopens and economic activity resumes.

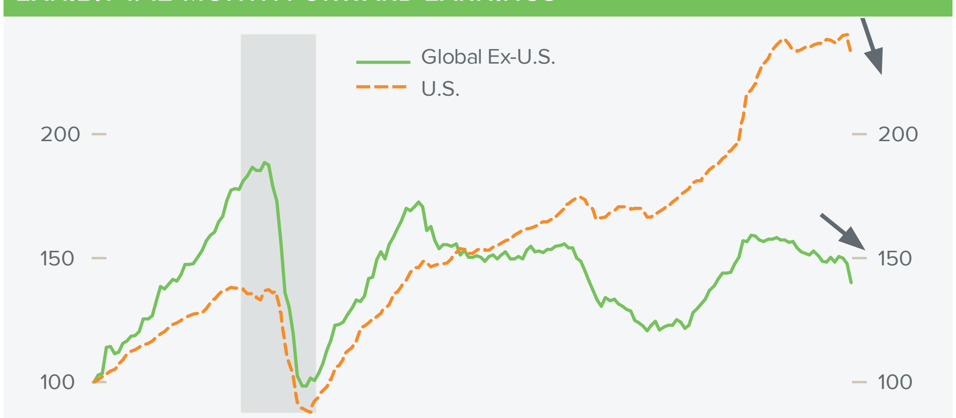
EARNINGS OUTLOOK

There is no precedent for the policy-driven shutdown of much of the global economy; therefore, it is difficult to assess the implications for corporate profits and the outlook for global equities. Hence, any earnings projections are based on substantial judgment, both about the economy and the sensitivity of earnings to economic conditions.

FactSet reports that first-quarter earnings for the S&P 500 are expected to be 5% below the 2019 first quarter, and second-quarter earnings are expected to be approximately 10% lower than a year earlier. They expect earnings to rebound in the third and fourth quarters, so when looking at the entire year the consensus earnings are expected to be approximately 1% down compared to all of 2019. Time will tell if this opinion is correct.

Outside of the U.S. the earnings story is similar in nature. Global equity prices have discounted a significant near-term deterioration in corporate earnings, but consensus earnings expectations have not been changed to reflect that yet. (see Exhibit 1).

EXHIBIT 1: 12-MONTH FORWARD EARNINGS



Source: TC Wealth Partners, MRB Partners.

▶ *TC Wealth Partners' View*

Uncertainty surrounding S&P 500 corporate earnings make valuations difficult to gauge. There is so much uncertainty with earnings that only 17% of analysts have adjusted their estimates for the companies they cover, and some analysts are not even issuing their earnings estimates altogether.

We believe that earnings estimates are still at unrealistic positive levels and any estimates should be taken with a grain of salt. In our view, if the outbreak is under control by the second half of the year—and life and economic activity can resume—earnings could rebound and possibly make up for some of the losses during the second quarter.

CONSUMER SPENDING

The COVID-19 outbreak will result in a severe decline in consumption in the second quarter. Analysts expect consumption to contract by around 5% this year but rebound quickly once the virus is brought under control. Measures to control the spread of COVID-19, including the nationwide closure of restaurants, bars and the shelter in place orders in many states, have triggered a significant decline in spending.

Economists don't expect consumption to collapse entirely because housing, financial services and grocery sales, which account for 50% of total consumption, will be little affected. Nevertheless, with other categories of spending likely to plunge – particularly food services, accommodation, recreation and transportation – overall consumption will still decline significantly.

▶ *TC Wealth Partners' View*

Nearly one in three people in the world are under lockdown. We believe that when the spread of the virus slows and restrictions on activity are eventually lifted, spending should start to rebound quickly. But a complete recovery will take longer.

Millions of workers have already been laid off as a result of the outbreak, and some of those jobs will be lost permanently. This will lead to a sharp decline in disposable income in the second quarter, which we expect to be reversed only slowly over the next couple of years. The good news is that household balance sheets were in decent shape before the virus struck, and lender forbearance and the fiscal support measures enacted by Congress should help. While the initial hit to consumption will be far larger than during the Global Financial Crisis (GFC), the impact of the COVID-19 downturn might not be as long-lasting.

OIL

During the quarter major crude oil producers Saudi Arabia and Russia declared a price war. Having failed to agree on reduced production levels to address already weak global demand, the two countries announced their intentions to ramp up production in an attempt to drive higher-cost producers out of business (including prolific shale-oil-producing nations such as the U.S.). The price of West Texas Intermediate crude oil dropped more than 65% in the quarter to approximately $20 per barrel.

The massive decline in oil prices has made it unprofitable for many oil firms to remain active and has caused higher-cost producers to stop production because the global storage capacity for oil is almost full. At present prices, shale oil output will likely fall in 2020, for the first time since the start of the shale boom. As output falls, U.S. shale producers will be impacted and could be forced into bankruptcy.

Oil prices rose in early April after Saudi Arabia and Russia agreed to slash output together with other members of the OPEC+ alliance in an effort to lift the market from a pandemic-driven collapse. The deal will cut oil production by 10 million barrels a day, but may continue for just two months, with smaller curbs lasting longer.

▶ *TC Wealth Partners' View*

We do not believe the supply reduction will be large enough to offset the massive near-term decline in demand, so oil prices are likely to remain low. In our view, the timing of a recovery in oil prices is uncertain, but the following two factors will have a major role in a turnaround. First, the COVID-19 demand shock must be fully discounted in oil prices, and a path towards easing quarantines must be identified. Second, the fallout for U.S. shale producers needs to be fully understood, and U.S. shale producers' output needs to decline to support higher oil prices.

MARKETS

DOMESTIC EQUITIES

How bad was it for the U.S. stock market in the first three months of 2020? In a word, historic. (see Exhibit 2). The Dow Jones Industrial Average (Dow) registered its worst quarterly loss since the fourth quarter of 1987 and was the steepest first quarter drop in the index's history, according to Dow Jones Market Data. The S&P 500 declined more than 20% and had its sharpest decline since the 2008 financial crisis.

EXHIBIT 2: WORST QUARTERLY % CHANGE FOR DOMESTIC EQUITIES

Index	Quarterly % Change	Worst Since
Dow Jones Industrial Average	-23.20%	Q4 1987
S&P 500	-20.00%	Q4 2008
Nasdaq Composite Index	-14.18%	Q4 2018

Source: TC Wealth Partners, Bloomberg.

On top of that, this is the first time in well over a decade that the S&P benchmark ended each of the first three months of a calendar year in negative territory, something that has only occurred seven other times in the history of the index. Turning toward the Nasdaq, it declined more than 14%, which represents the worst quarterly decline since the last three months of 2018.

▶ *TC Wealth Partners' View*

We believe that the bottom of the market will be determined not by the magnitude of the decline, but by the progress made in limiting the spread of the virus. In our view, the coming months will be volatile as grim economic data, corporate news, and earnings reports have yet to begin in full force.

EXHIBIT 3: HISTORICAL RETURNS AFTER POOR FIRST QUARTER

Index	1-Month	2-Month	1-Year
Dow Jones Industrial Average	0.05%	1.77%	5.69%
S&P 500	-0.15%	2.14%	8.72%
Nasdaq	-0.47%	2.53%	8.35%

Source: TC Wealth Partners, Bloomberg.

History has shown that when the markets have produced a quarter as ugly as the one we just experienced, index returns have been positive in the following two quarters and for the entire year. (see Exhibit 3). This is cause for hope. The markets have rallied since the start of April on signs of progress in the fight against COVID-19, but volatility in the market remains elevated; swings like these are typical.

We believe that people are desperate for good pieces of news, and any good news will drive the market higher. Fundamentally, however, nothing has changed because one-quarter of the economy is still shut down.

INTERNATIONAL EQUITIES

International equities as measured by the MSCI EAFE Index also fell during the quarter, pressured by the economic disruptions caused by the COVID-19 outbreak in China as well as the fear and uncertainty created by the spread of the COVID-19 to other countries (see Exhibit 6). Markets were relatively calm early in the quarter as there were signs the infection rate had stabilized in China. However, concerns about supply chain disruptions on corporate earnings along with further economic weakness prompted a sharp sell-off during the remainder of the quarter.

▶ *TC Wealth Partners' View*

We believe that economic uncertainty is the greatest across Europe, with numerous core countries on complete lockdown. Europe and Japan entered this global crisis on weaker footing than the U.S., and we believe that the damage to economic growth and earnings could be rather substantial. In our view, the European Central Bank has fired its monetary stimulus bazooka which should provide some support, but we believe the lack of fiscal policy from Europe combined with very weak economic expectations make international markets less attractive than the U.S. markets.

EMERGING MARKETS

Emerging markets stocks slumped in the quarter as the spread of COVID-19 raised fears of lasting damage to the world economy. The MSCI Emerging Markets Index fell to its lowest level since December 2016 as the number of COVID-19 cases surged outside China, where the outbreak began (see Exhibit 6). Central banks in developing countries slashed their benchmark interest rates, with policymakers in Thailand, Brazil, the Philippines, Russia, Mexico, Turkey, China and Indonesia all reducing their key rates during the quarter.

▶ *TC Wealth Partners' View*

China was ground zero for COVID-19 and it will be the gauge for the world in terms of exiting an economic shutdown. Earnings estimates have been revised lower due to COVID-19, but they remain positive for 2020, and like most regions, a significant rebound is expected in 2021. We believe that monetary and fiscal stimulus from the U.S. could lead to some dollar weakness that will be positive for emerging markets, but the COVID-19 will remain a concern. In our view, the impact of the virus on Chinese and global economies is still unclear, but we continue to believe that the long-term picture is favorable for emerging markets overall.

FIXED-INCOME MARKETS

The Fed slashed interest rates to almost zero and announced numerous programs to support the markets. At times in the first quarter, the Fed bought more government-backed bonds daily than they did monthly during and after the financial crisis of 2008. U.S. Treasury bond returns were strong, while corporate and municipal bonds posted losses (see Exhibit 6). Fed rate cuts and their significant bond buying programs, investor demand for safe-haven assets, collapsing inflation expectations, and falling growth expectations all contributed to rising Treasury prices and falling yields.

▶ *TC Wealth Partners' View*

Fixed income provided substantial principal protection for a diversified portfolio during the first quarter. We expect volatility in the fixed-income markets will persist despite aggressive action by the Fed. The Fed continues to target credit markets to support prices and ensure proper market functioning. We believe that corporate rating downgrades have just begun, and defaults among lower-quality bond issuers are likely. In our view, municipal bonds will continue to be negatively impacted in the short run by the virus as the budgets and resources of state and local governments will be used to fix the virus outbreak.

RECESSION

Economists predict a sharp, short recession for the first half of 2020 as COVID-19 has severely restricted economic activity. Economic growth likely fell at a rate of 2.4% in the first quarter and is forecasted to decline a staggering 26.5% in the second quarter. Despite the abrupt downturn, economists are optimistic the economy will bounce back in the latter half of 2020.

Recessions tend to be short-lived, lasting about 11 months on average. In fact, since 1954 the economy has expanded seven months for every one month of contraction. When looking at stock markets, they historically tend to peak about six months prior to the onset of a recession, with markets declining 34% on average from the peak but returning 25% in the year following a market bottom and 32% in the following three years on average.

When comparing economic indications in the month prior to the onslaught of a recession, we see the most recent economic data from February is different than in previous episodes. (see Exhibit 4). The economy was solid before the pandemic took shape – unemployment was at a 50-year low, inflation was well-contained near the Fed's 2% threshold and there was no threat of an imminent asset bubble.

The cause of this recession is neither economic nor financial. It's biological. In this respect, government policies to contain the viral economic impact will play a role in determining the duration of this recession.

▶ *TC Wealth Partners' View*

We believe that the economy is in a recession. We expect global growth to dip close to the lows of the financial crisis of 2008-2009 and U.S. growth to see a 74-year low this year. Assuming new confirmed cases peak in April/May, and with an aggressive monetary and fiscal policy response in the pipeline, we expect growth to start recovering starting in the third quarter.

WHAT IS BEING DONE?

MONETARY POLICY STIMULUS

To attack the financial fallout from COVID-19, the first order of business for central bankers was to increase liquidity in the financial system. On March 3, the Federal Reserve (Fed) cut rates by 50 basis points (bps) and then cut rates again by another 100bps on March 15, bringing it back into zero interest rate territory.

The second order of business was to act as a lender of last resort in an attempt to restore proper functioning in the credit markets. Leveraging fiscal aid from the Treasury, the Fed added significant funding to support the credit markets, which expanded access to funds and loans for consumers, small businesses, corporations and municipal markets.

The third order of business was to provide support to risky corners of the financial market that have been the hardest hit. The Fed announced that it would invest $2.3 trillion in loans to aid small businesses and state and local governments, as well as fund the purchase of certain types of high yield bonds, collateralized loan obligations and commercial mortgage-backed securities.

Around the globe, the monetary policy response has also been swift and decisive. Interest rates, where possible, have been lowered aggressively towards zero, and large-scale quantitative easing programs have been resurrected. The European Central Bank, Bank of England, Bank of Japan and more than 40 other central banks have cut rates or implemented significant easing measures.

▶ *TC Wealth Partners' View*

In total, today's response dwarfs the 2008 response both in size and in scope. The Fed is not messing around this time, having learned lessons from the previous financial crises, and using everything in their arsenal to respond to this crisis. We believe aid from the Treasury and unprecedented stimulus from the Fed will not be a cure for

EXHIBIT 4: ECONOMIC DATA PRIOR TO PREVIOUS RECESSIONS

Economic Data Series	Value on February 1, 2020	Month prior to start of 2008 Recession	Month prior to start of 2001 Recession
Federal Funds Rate	1.55%	4.24%	5.31%
10-year Treasury Yield	1.76%	4.10%	4.89%
Unemployment Rate	3.50%	5.00%	4.30%
Household Savings Rate	8.20%	3.60%	5.30%
Inflation Rate	2.30%	4.10%	3.00%

Source: TC Wealth Partners, Bloomberg.

what ails the markets; instead, we view their actions as a bridge that will help the U.S. economy to the other side of this pandemic. We expect bumps along the way, but we believe the monetary policy response will play a critical role in minimizing collateral damage from the virus.

FISCAL POLICY

The virus's negative impact on the global economy and health of its citizens have forced governments around the world to adopt a wartime "whatever-it-takes" mentality; they have thrown everything but the kitchen sink at the problem. In the U.S., Congress has passed three different stimulus measures and are in talks to possibly pass a fourth.

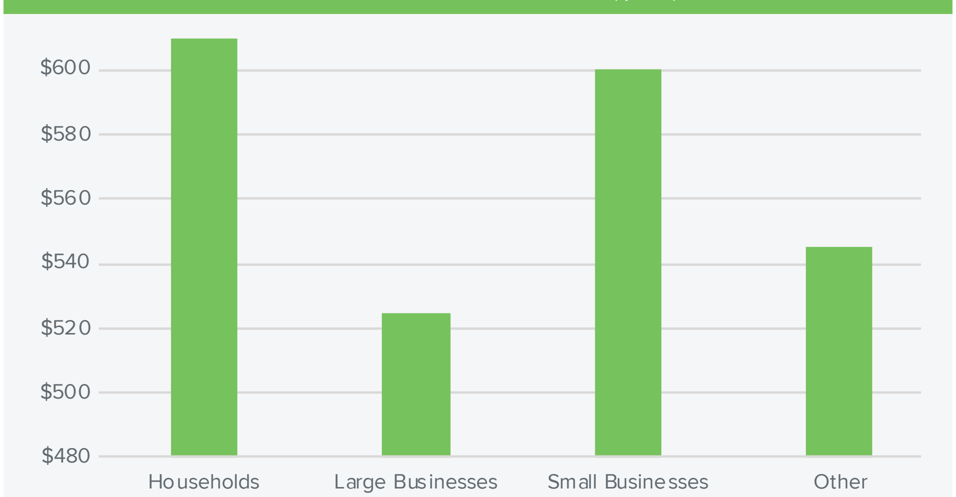
The first bill was passed into law on March 6 and includes $8.3 billion of additional funding for the Centers for Disease Control and Prevention and other health organizations fighting the virus's spread.

On March 18, President Donald Trump signed the second virus-related measure totaling about $100 billion. The bill provides improved sick and paid leave, better unemployment insurance benefits, additional funding for Medicaid and food programs, and free testing for the uninsured.

The third bill was passed on March 26 and was the largest stimulus package in U.S. history. The package totaled about $2.2 trillion and is expected to go into effect in two to three weeks from when the bill was signed. This third phase includes direct cash payments to consumers, expanded unemployment payments, funding for small businesses and financial support for large companies. The first three phases, at roughly 10% of gross domestic product (GDP), are almost twice the size of the fiscal response during the 2008 financial crisis and second only (though still much smaller) to Roosevelt's New Deal program following the Great Depression.

The fiscal policy response in the rest of the world has been faster, but also smaller and more incremental. In Europe, fiscal measures to counter the economic fallout were rolled out relatively quickly at the national level, but on average totaled only 1.5% of GDP. Australia has been more aggressive in its fiscal response, while Japan is currently debating a similarly sized package worth 10% of GDP.

EXHIBIT 5: CARES ACT BY FUNDING RECIPIENT ($BN)



Source: TC Wealth Partners, Committee for a Responsible Federal Budget.

▶ *TC Wealth Partners' View*

We believe the three new fiscal programs announced have their limits in that they are more about treating the symptoms of the problem and cushioning the economic blow than curing the virus. Execution of the programs that have been announced is critical, as the business aid will need to be administered through the banking system and the Small Business Administration (SBA). In our view, Congress will need to approve more aid and the coordinated fiscal effort will be a requisite element to economic and market stabilization.

HERE AND BEYOND

Please know that we are so appreciative to serve you through this unprecedented time in the history of this country and the world. We also know how fortunate we are to be able to do this from the safety of our homes, unlike first responders, health care providers and others who don't have the ability to make that choice. Their sacrifice is significant, and for that we are extremely grateful.

As it pertains to our role, we will continue to keep you updated with our views as this crisis unfolds. During this time, we expect to see more volatility. We urge you to continue to keep a long-term perspective, review your financial plan, have conversations with your advisor, and work with them to plot your course. Please take care and be safe! ■

EXHIBIT 6: MARKET PERFORMANCE

S&P 500 SECTORS	Q1-2020	YTD	1Yr	3Yr	5Yr	10Yr
Utilities	-13.50%	-13.50%	-0.70%	6.23%	8.25%	10.44%
Real Estate	-19.21%	-19.21%	-11.09%	2.94%	2.37%	7.68%
Materials	-26.13%	-26.13%	-17.80%	-2.80%	0.55%	5.38%
Information Technology	-11.93%	-11.93%	8.90%	17.63%	17.14%	15.77%
Industrials	-27.05%	-27.05%	-21.13%	-1.82%	3.11%	8.49%
Health Care	-12.67%	-12.67%	-1.18%	8.16%	6.27%	12.76%
Financials	-31.95%	-31.95%	-19.16%	-2.35%	3.35%	6.75%
Energy	-50.45%	-50.45%	-53.06%	-21.63%	-14.24%	-3.91%
Consumer Staples	-12.74%	-12.74%	-0.38%	2.87%	5.17%	9.92%
Consumer Discretionary	-19.29%	-19.29%	-11.81%	5.69%	7.45%	13.47%
Communication Services	-16.95%	-16.95%	-4.70%	-0.29%	3.49%	8.00%

DOMESTIC EQUITY INDEXES	Q1-2020	YTD	1Yr	3Yr	5Yr	10Yr
Russell 3000	-20.90%	-20.90%	-10.18%	3.99%	5.83%	10.06%
Russell Midcap	-27.07%	-27.07%	-19.31%	-0.83%	1.91%	8.65%
Russell 1000 Growth	-14.10%	-14.10%	-0.26%	11.32%	10.44%	12.90%
Russell 1000 Value	-26.73%	-26.73%	-18.14%	-2.19%	1.96%	7.55%
NASDAQ	-13.91%	-13.91%	-0.50%	10.46%	10.86%	13.74%
S&P 500	-19.60%	-19.60%	-8.05%	5.09%	6.80%	10.43%

FIXED-INCOME INDEXES	Q1-2020	YTD	1Yr	3Yr	5Yr	10Yr
Global Aggregate ex. US	0.85%	5.09%	2.83%	4.36%	1.62%	1.50%
US Aggregate	0.01%	8.72%	8.73%	4.03%	3.05%	3.74%
Treasury	-1.01%	6.86%	7.77%	3.31%	2.36%	3.13%
High Yield	2.70%	14.32%	11.94%	6.37%	6.13%	7.57%
TIPs	0.45%	8.43%	7.06%	3.32%	2.62%	3.36%
Municipals	0.67%	7.54%	8.91%	4.73%	3.53%	4.34%
Asset Backed Securities	0.29%	4.53%	6.39%	2.61%	2.22%	2.72%
Mortgage Backed Securities	0.64%	6.35%	7.40%	3.25%	2.58%	3.15%
Commercial Mortgage Backed Securities	-0.52%	8.27%	9.37%	4.23%	3.42%	5.74%

INTERNATIONAL EQUITY MARKETS	Q1-2020	YTD	1Yr	3Yr	5Yr	10Yr
MSCI World	-20.95%	-20.95%	-10.90%	2.51%	3.88%	7.10%
MSCI ACWI	-21.27%	-21.27%	-11.79%	2.06%	3.44%	6.36%
MSCI ACWI ex US	-23.30%	-23.30%	-16.12%	-1.47%	-0.19%	2.45%
MSCI EAFE	-22.76%	-22.76%	-14.90%	-1.29%	-0.10%	3.17%
MSCI EM	-25.00%	-25.00%	-16.26%	-4.04%	-1.47%	4.30%
MSCI Europe	-22.54%	-22.54%	-14.12%	-2.65%	-1.27%	5.05%
MSCI Asia Pacific	-19.24%	-19.24%	-12.66%	0.54%	1.63%	3.84%
MSCI North America	-20.04%	-20.04%	-8.84%	4.56%	6.18%	9.73%
MSCI EM Asia	-18.11%	-18.11%	-12.65%	1.62%	1.68%	3.70%
MSCI EM Latin America	-45.58%	-45.58%	-41.38%	-12.67%	-6.12%	-6.56%
MSCI EM Europe & ME	-33.83%	-33.83%	-28.76%	-7.54%	-5.34%	-3.29%

Source: TC Wealth Partners, Bloomberg.

CARES ACT PROVIDES RELIEF TO INDIVIDUALS AND BUSINESSES

On Friday, March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. This $2 trillion emergency relief package is intended to assist individuals and businesses during the ongoing coronavirus pandemic and accompanying economic crisis. Major relief provisions are summarized here.

UNEMPLOYMENT PROVISIONS

The legislation provides for:

- An additional $600 weekly benefit to those collecting unemployment benefits, through July 31, 2020;
- An additional 13 weeks of federally funded unemployment benefits, through the end of 2020, for individuals who exhaust their state unemployment benefits;
- Targeted federal reimbursement of state unemployment compensation designed to eliminate state one-week delays in providing benefits; and
- Unemployment benefits through 2020 for many who would not otherwise qualify, including independent contractors and part-time workers.

RECOVERY REBATES

Most individuals will receive a direct payment from the federal government. The rebate amount will be calculated based on 2019 tax returns filed (2018 returns in cases where a 2019 return hasn't been filed) and sent automatically via check or direct deposit to qualifying individuals. To qualify for a payment, individuals generally must have a Social Security number and must not qualify as the dependent of another individual.

The amount of the recovery rebate is $1,200 ($2,400 if married filing a joint return) plus $500 for each qualifying child under age 17. Recovery rebates are phased out for those with adjusted gross income (AGI) exceeding $75,000 ($150,000 if married filing a joint return, $112,500 for those filing as head of household). For those with AGI exceeding the threshold amount, the allowable rebate is reduced by $5 for every $100 in income over the threshold.

While details are still being worked out, the IRS will be coordinating with other federal agencies to facilitate payment determination and distribution. For example, eligible individuals collecting Social Security benefits may not need to file a tax return in order to receive a payment, they should receive their payment automatically via ACH.

RETIREMENT PLAN PROVISIONS

- Required minimum distributions (RMDs) from employer-sponsored retirement plans and IRAs will not apply for the 2020 calendar year; this includes any 2019 RMDs that would otherwise have to be taken in 2020.
- The 10% early-distribution penalty tax that would normally apply to distributions made prior to age 59½ (unless an exception applies) is waived for retirement plan distributions of up to $100,000 relating to the coronavirus; special re-contribution rules and income inclusion rules for tax purposes apply as well.
- Limits on loans from employer-sponsored retirement plans are

EXHIBIT 7: REBATE AMOUNTS AND PHASEOUT RANGES

Filing Status	Payment Amount	Phaseout Threshold	Phaseout Completed
Married Filing Jointly	$2,400	$150,000	$198,000
+ 1 Child	$2,900	$150,000	$208,000
+ 2 Children	$3,400	$150,000	$218,000
Head of Household	$1,200	$112,500	$136,500
+ 1 Child	$1,700	$112,500	$146,500
+ 2 Children	$2,200	$112,500	$156,500
All Others	$1,200	$75,000	$99,000

Source: TC Wealth Partners, Bloomberg.

expanded, with repayment delays provided.

Note - An employer must elect whether to incorporate the Coronavirus Related Distribution (CRD) and loan relief provisions into their plan.

STUDENT LOANS

- The legislation provides a six-month automatic payment suspension for any student loan held by the federal government; this six-month period ends on September 30, 2020.

- Under already existing rules, up to $5,250 in payments made by an employer under an education assistance program could be excluded from an employee's taxable income; this exclusion is expanded to include eligible student loan repayments an employer makes on an employee's behalf before January 1, 2021.

BUSINESS RELIEF

- An employee retention tax credit is now available to employers significantly impacted by the crisis and is applied to offset Social Security payroll taxes; the credit is equal to 50% of qualified wages up to a certain maximum.

- Employers may defer paying the employer portion of Social Security payroll taxes through the end of 2020 and may pay the deferred taxes over a two-year period of time; self-employed individuals are able to do the same.

- Net operating loss rules expanded.

- Deductibility of business interest is expanded.

- Provisions relating to specified Small Business Administration (SBA) loans increase the federal government guarantee to 100% and allow small businesses to borrow up to $10 million and defer payments for six months to one year; self-employed individuals, independent contractors, and sole proprietors may qualify for loans.

PRIOR LEGISLATIVE RELIEF PROVISIONS

Signed into law roughly two weeks prior to the CARES Act, the Families First Coronavirus Response Act (FFCRA) also included relief provisions worth noting:

- Requirement that health plans cover COVID-19 testing at no cost to the patient;

- Requirement that employers with fewer than 500 employees generally must provide paid sick leave to employees affected by COVID-19 who meet certain criteria, and paid emergency family and medical leave in other circumstances; and

- Payroll tax credits allowed for required sick leave as well as family and medical leave paid.

There is likely to be a steady stream of guidance forthcoming with details relating to many of these provisions, so stay tuned for more information. We're here to help and to answer any questions you may have. You can contact us at 630.584.4822 or RetirementPlanServices@tcwealthpartners.com

TC Wealth Partners LLC

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