

BETTER MONEY HABITS

Financial guidance to help with the impact of coronavirus

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Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
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6 ways to tackle financial stress

1

Identify what needs
attention

2

Try to stay positive

3

Be realistic

4

Make the most of your
income

5

Small steps are key

6

Keep yourself honest



When it comes to your budget



What you'll learn

1

Take advantage of government help

2

Reach out to creditors

3

Recalibrate your budget

4

Explore your options for emergency cash



Take advantage of government help



1

Student loans

2

Mortgages

3

Income taxes

4

Unemployment insurance



Student loans

- Available support for federal student loans, including:
 - Direct Loans
 - FFEL Program Loans
 - Perkins Loans
- Can suspend payments from March 13, 2020 until Sept. 30, 2020
 - No interest will accrue during this time.
 - This applies whether or not the loans were current as of March 13th.



While these provisions don't apply to private student loans, many lenders are offering payment deferment programs. In any case, check with your loan servicer to explore your options.

Learn more with this [Department of Education guide](#).



Mortgages

- Available support for federally backed mortgage loans
 - About 2/3 of home mortgages fall into this category
- You may qualify to be able to suspend your payments
 - Contact your mortgage service provider for details
- Download a guide to the new rules from the Federal Housing Finance Agency [here](#).
- If your mortgage isn't covered, contact your lender
 - Some banks may allow you to defer mortgage payments for certain periods of time and not report missed payments to credit agencies
- Deferment periods vary by lender, so make sure **to contact your mortgage service provider** to confirm their policy.



If you're a Bank of America customer and need help with your mortgage or home equity payments, you can submit an online request for a payment deferral [here](#).



Income Taxes and Unemployment Insurance

INCOME TAXES

The deadline to file your 2019 federal income tax return and pay any taxes you owe without incurring penalties or interest has been extended to July 15, 2020.

(Most states have also extended filing deadlines; check to make sure yours is one of them.)

UNEMPLOYMENT INSURANCE

- The CARES Act expands the types of workers eligible for unemployment benefits to include the self-employed.
- Weekly benefits may also be increased to help make up for income that's been lost due to the impact of the coronavirus.



Reach out to creditors



1

Cable and phone companies

2

Utility companies

3

Credit card issuers

4

Auto lenders

5

Landlords



Reach out to creditors

CREDITOR	SUPPORT	ACTION
Cable and phone companies	<ul style="list-style-type: none">• More than 100 cable, wireless and phone companies have signed on to the Federal Communications Commission’s “Keep Americans Connected” pledge to waive late fees for customers affected by the impacts of the coronavirus and not cut off service if a customer is unable to pay.	<ul style="list-style-type: none">• You can see if your provider has signed on here.
Utility companies	<ul style="list-style-type: none">• Policies vary around the country, but many major gas and electric companies have temporarily agreed not to turn off service to customers unable to pay as well as waiving late fees due to the impacts of the coronavirus.	<ul style="list-style-type: none">• Contact your utility companies.
Landlords	<ul style="list-style-type: none">• The new federal stimulus law offers some protections from evictions if the mortgage is federally backed and the property owner accepts any type of forbearance. Many cities and states have halted evictions due to impacts of the coronavirus.	<ul style="list-style-type: none">• If you’re struggling to make rent payments, contact your landlord directly.



Reach out to creditors

CREDITOR	SUPPORT	ACTION
Credit card issuers	<ul style="list-style-type: none">• Many major lenders are supporting customers in need by waiving late fees and offering deferred payment plans.• Typically, deferred or suspended loan payments can show up on your credit report, but some banks are offering to suspend reporting standards to help ensure your credit doesn't suffer due to impacts of the coronavirus.	<ul style="list-style-type: none">• Contact your credit card issuer.• If you are a Bank of America customer, you can request a payment deferral or a refund on late fees. Learn more here.
Auto lenders	<ul style="list-style-type: none">• Many banks and financing companies are making payment assistance available for auto loans.	<ul style="list-style-type: none">• Contact your auto lender.• If you are a Bank of America customer, you can request a payment deferral or a refund on late fees. Learn more here.



Negotiating with creditors



<https://bettermoneyhabits.bankofamerica.com/en/debt/debt-negotiation-tips>



Recalibrate your budget

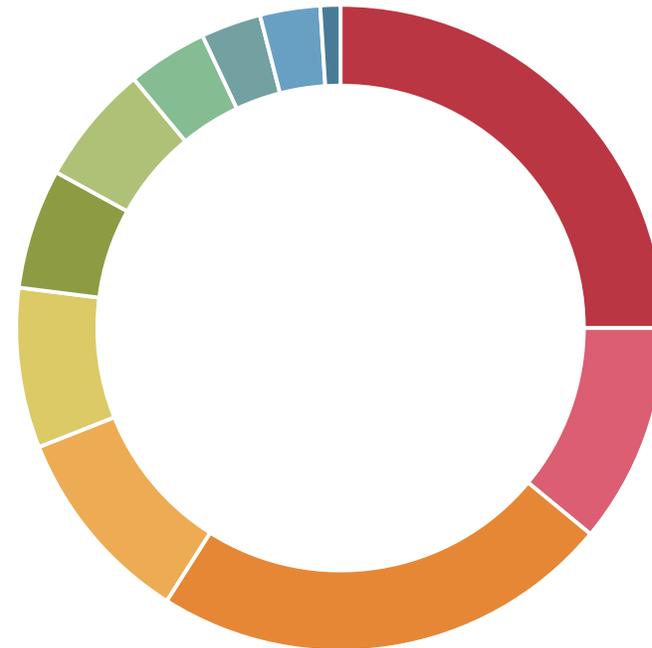


Review your *new* monthly budget

In this current environment, if you're able to stay home, you may already be saving on certain expenses, including gas, meals out and entertainment.

Tip: Look over your credit card statements for recurring charges for services and memberships. Stop payments to any you won't be using, such as gyms, clubs or after-school activities.

- Mortgage 25%
- Personal debt 11%
- Food 23%
- Transportation 10%
- Savings 8%
- Insurance 6%
- Utilities 6%
- Clothing 4%
- Health care 3%
- Personal care 3%
- Misc. items 1%



*For illustrative purposes only



Filling out a *new* spending plan

Income	
Your take-home pay	\$
Additional household's take-home pay	\$
Other	\$
Total Income (sum of rows above)	\$

SPENDING CATEGORY	PLANNED SPENDING	ACTUAL SPENDING	CHECK IF SPENT AS PLANNED
Expenses: Home & Utilities			
Mortgage or rent	\$	\$	<input type="checkbox"/>
Groceries	\$	\$	<input type="checkbox"/>
Electricity	\$	\$	<input type="checkbox"/>
Gas	\$	\$	<input type="checkbox"/>
Water	\$	\$	<input type="checkbox"/>
Cable/Internet	\$	\$	<input type="checkbox"/>
Mobile phone	\$	\$	<input type="checkbox"/>
Other	\$	\$	<input type="checkbox"/>
Expenses: Insurance & Financial			
Health insurance	\$	\$	<input type="checkbox"/>
Other insurance	\$	\$	<input type="checkbox"/>
Credit cards	\$	\$	<input type="checkbox"/>
Other loans	\$	\$	<input type="checkbox"/>
Savings	\$	\$	<input type="checkbox"/>
Other	\$	\$	<input type="checkbox"/>
Expenses: Personal & Medical			
Medication (not covered by health insurance)	\$	\$	<input type="checkbox"/>
Medical, dental & eye care costs (not covered by health insurance)	\$	\$	<input type="checkbox"/>
Education	\$	\$	<input type="checkbox"/>
Other	\$	\$	<input type="checkbox"/>
Expenses: Entertainment			
Restaurants	\$	\$	<input type="checkbox"/>
Movies & music	\$	\$	<input type="checkbox"/>
Other	\$	\$	<input type="checkbox"/>
Expenses: Transportation & Auto			
Public transportation	\$	\$	<input type="checkbox"/>
Car expenses	\$	\$	<input type="checkbox"/>
Other	\$	\$	<input type="checkbox"/>
Expenses: Other			
	\$	\$	<input type="checkbox"/>
	\$	\$	<input type="checkbox"/>
	\$	\$	<input type="checkbox"/>
	\$	\$	<input type="checkbox"/>
	\$	\$	<input type="checkbox"/>
	\$	\$	<input type="checkbox"/>
Total Expenses (sum of all expenses)	\$	\$	<input type="checkbox"/>
Net Savings or Loss (subtract Total Expenses from Total Income)	\$	\$	



Explore your options for emergency cash



1

Personal loans

2

Credit cards

3

Your home

4

Life insurance

5

Retirement accounts



Emergency cash options

OPTIONS

WHAT TO KNOW

Personal loans

You'll need good credit to qualify for a personal loan, but if you do, rates can be lower than what you'll pay on a credit card.

Credit cards

If you're in good standing contact your credit card issuer or go online to see if you can bump up your credit limit, which may let you charge more or take a bigger cash advance as an emergency measure. Just remember, you will pay interest on these balances and cash advances do not receive a grace period.

Your home

If you own a home, you may have built up equity that you can tap into using a home-equity line of credit (HELOC).

Life insurance

If you have a permanent life insurance policy, you typically can access a portion of its cash value through a withdrawal or policy loan.



Emergency cash options

OPTIONS

WHAT TO KNOW

Retirement accounts

- The CARES Act allows anyone who has been financially impacted by the coronavirus to withdraw as much as \$100,000 from a workplace plan, 401(k) or IRA without the additional taxes for premature distributions if you are under 59 1/2.
- With a Roth IRA, you can withdraw your contributions tax- and penalty free, but with the new legislation this exemption also extends to your earnings.
- While your retirement account may be a tempting source for cash, just remember that any withdrawals you take are still subject to taxes, though payments can be spread out over three years and if the money is repaid in that period you may be able to get some or all of the taxes returned.
- If you're in an emergency situation, carefully weigh the choice of taking money out of your retirement account versus other options

- Similarly, given the recent stock market volatility and tight budgets, you may be tempted to pull back on retirement contributions to your employer sponsored plan or to pull investments out of the market.
- But by investing regularly through automatic payroll contributions, you're buying at a lower price when stocks have gone down.
- If you can, continue contributing enough to earn your employer's full match.



Emergency Cash: What are your options

<https://bettermoneyhabits.bankofamerica.com/en/debt/how-to-get-emergency-money>

LOWER RISK

Before you borrow, address existing debts

You may be able to negotiate better terms or reduced payments on existing debts. Maybe you can adjust the terms with a lender or biller so that the payments are more affordable. Or maybe your student loan provider will grant you a period of forbearance. That may free up cash to put toward your emergency.



! Risks: You might face fees to refinance debts or penalties for delaying payment.

Talk to friends or family

If a friend or relative is willing to lend you money to help you through a rough patch, you may be able to pay very low interest on the loan.

! Risks: If you default or disagree about the terms, it could sour the friendship or family relationship. It wouldn't, however, affect your credit score.

Look to employers, credit unions or banks

Some employers offer low-interest loans to help workers through temporary financial hardships. Credit unions and banks also offer personal loans.



! Risks: Borrowing always carries a risk since you need to pay it back. However, you'll often pay a lower interest rate for a personal loan than a cash advance from your credit card or a payday loan.

Take a cash advance from your credit card

A cash advance from your credit card gives you immediate access to funds.

! Risks: In addition to charging a higher interest rate on advances than on charges, credit card issuers often charge cash advance fees (either a percentage or flat rate). Plus, interest could start accruing immediately. If you have the option, covering the expense by charging it is likely a better option.

Borrow from your retirement funds

Loans are not permitted from IRAs, but your employer-sponsored 401(k) plan may allow you to borrow from your retirement savings. The government sets limits on how much you can borrow, and you must repay within five years unless funds are used to buy your primary home. Interest rates are determined by each plan.



! Risks: If you lose your job or decide to leave, you'll need to repay the balance immediately or face big penalties. You'll also miss out on potential growth in your retirement account.

Borrow against your home equity

Borrowing against the equity in your home through a home equity loan, line of credit (HELOC) or a cash-out refinance can be a sound way to get cash. Since these loans are secured by the home, they typically carry a lower interest rate than a credit card or personal loan.

! Risks: If you default, you risk losing your home to foreclosure. HELOCs typically have variable interest rates that can adjust, and all home loans may come with fees.

HIGHER RISK

Cash out retirement funds

You have the option of withdrawing money from both 401(k) and IRA plans.

! Risks: Cashing out a retirement account will typically trigger hefty taxes. In fact, if you're under 59½, you may face a 10 percent penalty for early withdrawal plus an income tax charge. On top of that, you're putting your retirement at risk. Consider exhausting your other options first.

Take out a payday loan

Payday lenders give high-interest loans (rates are often 400 percent and may even reach 1,000 percent) for small amounts of money, and the borrower is expected to repay the debt when his or her next paycheck arrives.



! Risks: Because of those high fees, a majority of borrowers end up stuck in a cycle where they're forced to take another loan. The fees are so high that payday loans are a leading cause of bankruptcy. Consider exhausting your other options first.



Emergency cash options: Takeaways

1

Remember, every loan carries risk—make sure you understand those risks before making a decision.

2

Learn more about these options for borrowing here: “[Emergency Cash: What Are Your Options.](#)”

3

Learn more about all the help Bank of America is offering its customers at the [Client Assistance Program website.](#)



Your longer term opportunities

6 Simple Steps to Jump - start Your Emergency Fund:

<https://bettermoneyhabits.bankofamerica.com/en/saving-budgeting/emergency-fund-tips>



What an emergency fund should cover

RENT		GROCERIES		UTILITIES		LOANS		OTHER		TOTAL
	+		+		+		+		=	
\$600		\$200		\$100		\$100		\$200		\$1,200

$$\boxed{\$1,200} \times \boxed{3 \text{ months}} = \boxed{\$3,600}$$



Jump-start your emergency fund

1

Know your number

2

Pick something and cut it

3

Make it a routine

4

Don't be tempted



Your longer term opportunities

1

Be prepared for future big expenses

2

Check your insurance coverage

3

Lower your borrowing costs



Understanding Home Equity line of credit (HELOC)



- Even if you don't need access to cash right away, considering a home equity line of credit (HELOC) may be a way to secure assets now if you need them in the near future
- Can be used for repairs and upgrades, unexpected medical bills or education expenses down the road
- With this credit line available, you may be less tempted to tap into your 401(k) or IRA for a big-ticket item



Understanding Insurance



- Now's also the time to make sure you have adequate life, disability and homeowner's insurance.
- If you have an eligible high-deductible health insurance plan, consider funding a health savings account (HSA).
 - You won't owe taxes on the money you contribute, and the withdrawals you make to pay for qualified healthcare expenses are tax-free too.



Lower your borrowing costs

You can take some steps now to reduce your monthly loan payments and free up money in your budget:

Refinancing:

- With mortgage rates especially low, consider refinancing your loan. Look at how long it will take for lower monthly mortgage payments to make up for closing costs. As a general rule of thumb, refinancing may make sense if you can cut your interest rate by at least 1 percent.

Credit cards:

- If you're paying down a credit card balance, think about switching to a card with a lower interest rate. With a history of on-time payments and good credit you may be able to qualify for a low-rate or even zero-percent balance transfer offer.



Preemptive planning, reaching out to companies and creditors and knowing how you can access some of the options in government relief packages could make a big difference.





www.BetterMoneyHabits.com