



1. A LOOK AT INNOVATIVE WAYS PUBLIC PENSIONS APPROACH FUNDING:

In a new report from the National Institute on Retirement Security (NIRS), [“Beyond the ARC \[Annual Required Contributions\]: Innovative Funding Strategies From the Public Sector,”](#) the organization looks at various ways public pension plans fund themselves. The NIRS notes that the markets rebounded better this year after the COVID-19 pandemic hit than they did during the 2008 Great Recession. “However, there are concerns that cash-strapped governments will cut back on funding required contributions to public pension plans,” the institute says in the report.

The collection of funding actions that the report summarizes run the gamut--from implementing a wholesale funding strategy for a large statewide plan to more targeted reforms that simply increase participating employers’ control of how costs are paid overtime. These innovative strategies extend well beyond the oft-cited annual required contributions or actuarially determined employer contribution (ADEC).

The first strategy is to develop separate funding methods for legacy costs and ongoing plans. The Indiana Public Retirement System (INPRS), for example, had continued to fund its legacy system on a pay-as-you-go basis, which the NIRS says is a low bar for funding purposes. The legacy system—the Teachers’ Retirement Fund (TRF)--was combined with the Public Employees’ Retirement Fund (PERF) in 2011 to create the INPRS.

“In short,” the report says, “the broader system is growing out of the consequences that stemmed from being late to move toward prefunding. Today, there are more people in the prefunded TRF tier than the pay-go tier. In summary, the financing plan essentially partitioned off the legacy tier, retained lower expectations for the pay-go tier, exceeded

those expectations in a significant and systematic way, and bought time to correct a historic mistake.”

Kentucky used a fixed allocation of unfunded liabilities to mitigate risks. The proposal for the Kentucky Employees Retirement Systems (KERS) Non-Hazardous (NH) plan funding changes has not yet become law, but, the NIRS report says, “given that the proposal is insightful about diagnosing a key problem faced by the retirement system, it seemed appropriate to include this approach for its potential utility within our community.”

The KERS NH plan had been underfunded for many years. In 2013, the state legislature committed to begin funding it on an actuarially sound basis, resulting in employers reducing plan payroll by 33% between 2010 and 2020.

As of June 30, 2019, the KERS NH plan was only 13% funded. To break the vicious cycle of rising rates leading actuarial calculations to be off-track, the Kentucky legislature proposed determining each employer’s share of unfunded liabilities as of that date, as a fixed dollar amount, and required employers to pay off those obligations over 27 years. “Essentially, unfunded liabilities are partitioned off and funded separately from the traditional percent of pay funding strategy that would still be utilized for new accruals,” the report says. “With this change, an employer’s share of unfunded liabilities is no longer driven by its share of the plan payroll.”

Yet another approach is enabling organizations to gain control over their retirement system with employer side accounts. “These efforts generally allow employers to prepay pension contributions into side accounts to reduce [the employer’s] future costs,” the institute wrote. “Those contributions are then managed for the employer, and various methods are used to determine how future costs will be reduced by these credits.”

The Oregon legislature authorized the use of side accounts in 2002 for its Public Employees Retirement System (PERS). The excess contributions may be used to reduce contributions--the plan may amortize these funds over six, 10, 16 or 20 years.

The California Public Employees Retirement System (CalPERS) approach is to offer employers flexibility in managing pension costs, through a prepayment option. “Employers can submit pre-payments to CalPERS, with those funds being deposited into a Section 115 trust that is administered by CalPERS,” the NIRS wrote. Employers can choose between a lower-risk and a moderate-risk portfolio. “The prepaid contributions are not automatically amortized and used to reduce employer costs equally across future years,” the report says. “Instead, employers have flexibility

regarding when to use these funds to reduce their pension contributions.”

New York State employers have the option to establish retirement contribution reserve funds to help stabilize their pension costs over time, and employers are permitted to establish and fund the fund accounts themselves.

Pennsylvania is allowing its employers to prepay unfunded liabilities. They may make a one-time lump-sum payment of 75% to 100% of their respective unfunded accrued liability in exchange for reducing their future pension costs.

Then there are pension obligation bonds. “When pension bonds are issued, this typically results in a large sum of money invested in the markets at once,” the NIRS wrote. “This moves a pension fund away from its typical practice of dollar-cost averaging.” Maine adopted a packet of broad reforms, including funding changes. Under the changes, the state will calculate the unfunded liability using the same assumptions it does for the ongoing funding of the plan. This means the plan will not recognize any gain or loss by the employer’s decision, similar to the practice used by multiemployer plans, according to the NIRS. Lee Barney, *PLANSPONSOR*, www.plansponsor.com, December 28, 2020.

2. SSA BENEFITS PLANNER - INFORMATION FOR GOVERNMENT EMPLOYEES:

Some federal employees and employees of state or local government agencies may be eligible for a pension based on earnings **not** covered by Social Security.


If you didn't pay Social Security taxes on your government earnings **and** you are eligible for Social Security benefits, the formula used to figure your benefit amount may be reduced.

If you are eligible for Social Security benefits on your own record and a pension not covered by Social Security, the Windfall Elimination provision, or WEP may affect your benefits.

- The "How It Works" section of the [Windfall Elimination Provision](#) (WEP) fact sheet explains the formula Social Security may use to compute your benefit amount.

? Some government pensions do not affect your benefit amount when you apply on your own record.

- [How the Windfall Elimination Provision Can Affect Your Social Security Benefit](#) provides a chart to show how your benefit amount changes based on your years of substantial earnings and the year you became eligible for benefits.

? You can find a table that lists the amount of substantial earnings for each year at the bottom of the second page of our [Windfall Elimination Provision](#)  fact sheet.

- Use the [WEP Online Calculator](#) to calculate your estimated retirement or disability benefits.

If you are eligible for Social Security benefits on your spouse's record, and a pension not covered by Social Security, the Government Pension Offset, or GPO, may affect your benefits.

- The [Government Pension Offset \(GPO\)](#) fact sheet explains how your pension may affect your benefit on your spouse's record.

? Some government pensions do not affect your benefit on your spouse's record.

- Use the [GPO Online Calculator](#) to calculate your estimated benefits as a spouse, widow, or widower.

Social Security Administration, Benefits Planner, www.ssa.gov.

3. ELIMINATING SOCIAL SECURITY PROVISIONS THAT REDUCE BENEFITS FOR SOME STATE AND LOCAL WORKERS IS NOT THE WAY TO HELP RETIREES:

President-elect Biden proposes to eliminate the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO). These provisions reduce Social Security benefits for workers with significant government pensions from jobs not covered by Social Security and for their spouses and survivors.

Eliminating these provisions would be a mistake. They are well-intentioned attempts to solve an equity issue that arises because about 25% to 30% of state and local workers are not covered by Social Security.

Exclusion from Social Security creates two types of problems.

First, employees lacking coverage are exposed to a variety of gaps in basic protection - most notably in the areas of survivor and disability insurance. Second, uncovered state and local workers can gain minimum coverage under Social Security and -- until the introduction of the WEP in 1983 -- could profit from the progressive benefit structure, which was designed to help low-wage workers.

To see how that happens, look at the Social Security benefit formula. It applies three factors to the individual's average indexed monthly earnings (AIME). Thus, in 2020, a person's benefit would be the sum of 90% of the first \$960 of AIME, 32% of AIME between \$960 and \$5,785, and 15% of AIME over \$5,785 (see Table 1).

Table 1. Social Security Benefit Formula, 2020

Factor	Average Indexed Monthly Earnings
90%	of the first \$960 of AIME, plus
32%	of AIME over \$960 through \$5,785
15%	of AIME over \$5,785

Source: U.S. Social Security Administration. 2020. "Benefit Formula Bend Points."

Since a worker's monthly earnings are averaged over a typical working lifetime (35 years), a high-wage earner with a short period of time in covered employment looks exactly like a low-wage earner. Both would have 90% of their earnings replaced by Social Security.

Similarly, a spouse who had a full career in uncovered employment -- and worked in covered employment for only a short time or not at all -- would be eligible for the spousal and survivor benefits.

The WEP reduces the first factor in the benefit formula from 90% to 40%; the 32% and 15% factors remain unchanged. It is not a perfect solution. The benefit cut is proportionately larger for workers with low AIMEs, regardless of whether they were a high- or low-earner in their uncovered employment. Albeit, the WEP does guarantee that the reduction in benefits cannot exceed half of the worker's public pension, which protects those with low pensions from uncovered work.

Several years ago, Rep. Kevin Brady (R-Texas) introduced a bill with a new WEP formula. It involved two steps. First, the regular Social Security factors would be applied to all earnings -- both covered and uncovered -- to calculate a benefit. The resulting benefit then would be multiplied by the share of the AIME that came from covered earnings. Such a change would produce smaller reductions for the lower paid and larger reductions for the higher paid. That is a better approach.

Thus, the WEP would benefit from a little reform. But neither the WEP nor GPO should be eliminated. These provisions address a real inequity associated with having some state and local workers not covered by Social Security. The bigger question, however, is whether it is worth the trouble of creating a whole new procedure when the real answer is to extend Social Security coverage to all state and local workers. Universal coverage would both offer better protection for workers and eliminate the equity problem. Alicia H. Munnell, Market Watch, www.marketwatch.com, January 6, 2021.

4. UNEMPLOYMENT TAXES GOING UP FOR FLORIDA EMPLOYERS:

More than five million people have filed for unemployment benefits in Florida. The new unemployment milestone comes as Florida employers begin the new year with higher taxes to cover unemployment benefits.

Florida employers were sent a notice about the increase from the State Department of Revenue. It let them know their cost of doing business will increase in order to help replenish the state's reemployment trust fund. Businesses could see their rate go from one tenth of a percent to nearly three tenths of a percent on the first \$7,000 in wages.

"Any payroll-based tax increase is not good for the small business climate," Bill Herrle with the National Federation of Small Business said. While no hike is ideal, the increase will keep Florida's fund stable, according to Herrle. "Business owners are the sole payers into the unemployment system, so they have a strong stake hold in making sure we continue to pay benefits, and we don't get into a very high debt that will cause rates to go up even higher," Herrle said.

Unlike the 2008 recession, when Florida had to borrow \$2.7 billion to pay unemployment claims, this year the fund is solvent and above water.

In a catch 22, many businesses are having trouble hiring such as the Goodwill of the Big Bend who can't fill vacancies.

"We have anywhere from forty to sixty jobs postings at all times, so we are constantly in the market looking for qualified employees," said Goodwill Industries of the Big Bend CEO Fred Shelfer.

The new round of stimulus and unemployment payments will likely push more people out of the job market, putting pressure on companies to pay more to fill vacancies. The maximum reemployment tax rate for employers with poor records remains at 5.4 percent of the first \$7,000 in wages. Mike Vasilinda, www.wfla.com, January 4, 2021.

5. HOW MUCH SALES TAX DO STATES COLLECT EVERY MONTH:

A [new experimental U.S. Census Bureau product](#) and interactive map offer one of the timeliest snapshot of the amount of taxes states collect every month from sales of selected products. The data showcased in this new [report](#) provide monthly sales tax information, by state, for the following categories: general sales, lodging, alcoholic beverages, motor fuel and tobacco products.

The new product includes detailed breakouts by state, month, year and type of tax updated the third Friday of every month.

The info comes from unaudited data from existing state reports or data sources available on the internet. Additionally, states report quarterly sales tax collections in the [Quarterly Survey of State and Local Tax Revenue](#).

State-by-State Data

The new product includes detailed breakouts by state, month, year and type of tax updated the third Friday of every month.

Data are rounded to the nearest dollar.

Taxes are defined as all compulsory contributions exacted by a government for public purposes. The actual tax revenue includes related penalty and interest receipts but does not include charges that are in dispute).

You can check out the [full methodology](#) used. Additionally, you can find a state-by-state breakout of government tax collection data sources via this [source file](#).

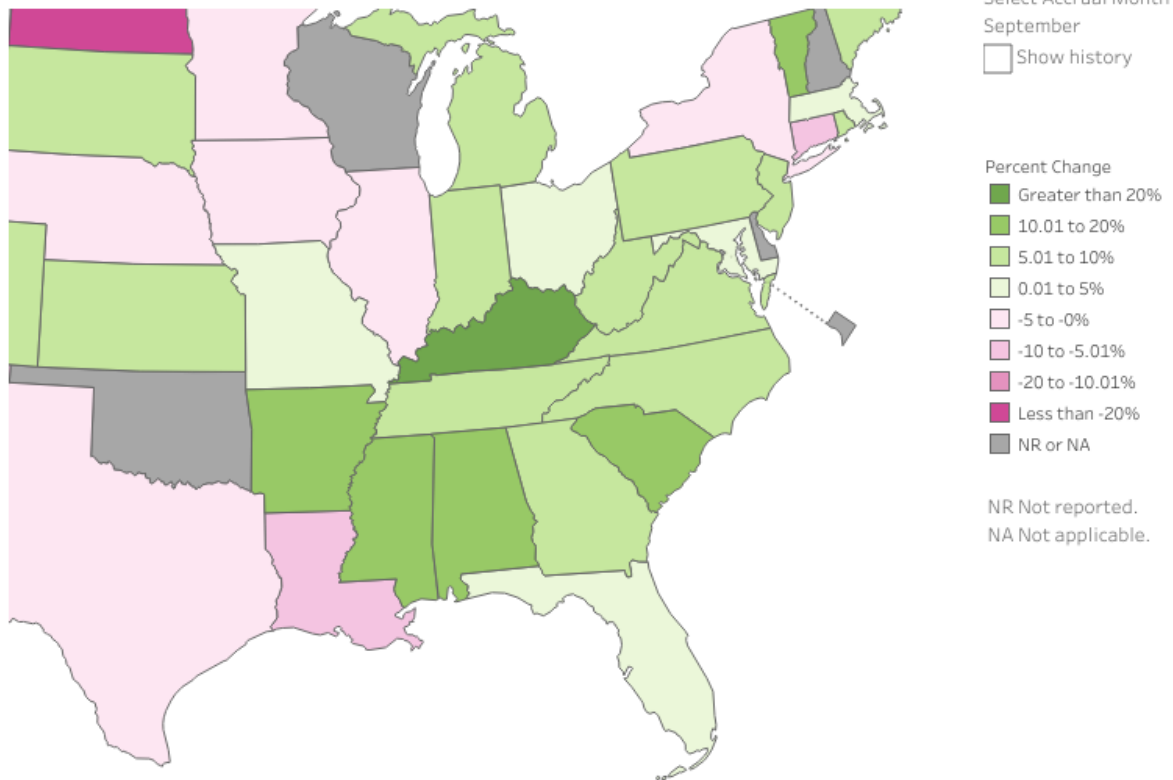
Mapping the Data

Click on the image below to see the interactive map showcasing the new data by mapping comparisons between 2019 to 2020 monthly sales tax collections.

The map offers various filtering options. For example, you can start by selecting a tax type among the available categories (outlined above) that you're interested in exploring.

You can then select a currently available month from April to August in both 2019 and 2020. The map will quickly refresh with new statistics on an intuitive display. You can also animate the graphic by using the pause and play buttons.

2019 to 2020 Monthly Comparisons for Selected State Sales Tax Collections



Note: Taxes are generally collected in the month following actual sales.

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Source: Selected Monthly State Sales Tax Collections <www.census.gov/data/experimental-data-products/selected-monthly-sales-tax-collections>..

Adam Grundy, United States Census Bureau, www.census.gov, January 5, 2021.

6. RETIREMENT READINESS PLANS REMAIN ON TRACK:

Retirement readiness plans are not the chief concern for most business owners. The majority of companies are staying the course when it comes to their retirement readiness plans. This is surprising, despite the Covid-19 pandemic and the economic turmoil it has wrought during 2020.

This is according to the [second annual TD Wealth Retirement Readiness Study](#). A majority of business owners (85%) said they are not planning to make changes to their

retirement planning, according to the study. Nonetheless, TD also found that 87% of business owners reported that Covid-19 affected their revenues. The study found nearly half (49%) had to reduce their operations. Although a quarter experienced temporary or permanent closures.

Economic and political uncertainty were indicated as chief reasons business owners were concerned about achieving their financial goals. Sixty-nine percent said they had these worries. Stay-at-home mandates and non-essential businesses closures also have business owners worried. But retirement readiness seems to be an area of confidence for business owners, especially in the high net worth category.

Business owners indicated in the TD study that a financial advisor could help raise their confidence and improve their retirement readiness. Sixty-one percent said they would work with a financial advisor. Millennials were more likely to work with a financial advisor (68%) compared to baby boomers (58%). Working with a financial advisor can help to assuage fears about uncertainty and retirement readiness plans. A financial advisor can help business owners navigate market volatility and economic concerns, according to TD.

Business owners with a long-term investment plan appeared confident about their retirement readiness plans. Ninety-four percent are (somewhat or very) confident that they will achieve their financial goals due to their long-term investment plan. What's more, high net worth business owners are fairly confident about their retirement readiness. Over 93% are (very or somewhat) confident that their financial plans will enable them to generate the income they need in retirement. That's a slight dip from 2019, when 95% of high net worth business owners indicated they were confident in their financial plans' ability to help them achieve retirement readiness.

According to TD, when it comes to retirement readiness plans, specifically, "...retirement income, a healthy mix is important. For business owners, retirement savings plans constitute the highest proportion of retirement income, followed by investment portfolio and social security. Retirement savings and investment portfolios make up more than half of the retirement income across all respondents." Steff Chalk, 401kTV, <https://401ktv.com>, January 5, 2021.

7. CINCINNATI RETIREMENT REVAMPS ASSET ALLOCATION:

Cincinnati Retirement System adopted a new asset allocation, which includes changes to the structures of its equity and fixed-income targets and an increase in the target to global infrastructure.

The \$2.1 billion pension fund's board approved the new allocation in November following the completion of an asset allocation study by investment consultant [Marquette Associates](#), confirmed Beverly Nussman, the system's finance manager.

The overall targets to domestic equities, international equities and fixed income remain at 27.5%, 23% and 14%.

Within domestic equities, the board approved a new target to all-cap core strategies of 18.5% of the overall pension fund, the reductions of small-cap value to 3.5% from 7.5%, large-cap value to 3.5% from 7%, and midcap value to 2% from 4%, and the elimination of targets of 5% to large-cap growth and 4% to midcap core.

Within international equities, the board approved a new target of broad international equities of 20% of the overall pension fund, and the elimination of targets of 10% to developed markets large cap and 5% each to developed markets small cap and emerging markets. The target to emerging markets small cap remains at 3% of the overall pension fund.

Within fixed income, the board approved a new target of 6% of the overall pension fund to broad fixed income and the elimination of the 6% target to universal fixed income. The targets to core plus and opportunistic credit remain at 6% and 2%, respectively.

The target to hedge funds remains at 5%, although the pension fund changed the parameters to defensive equity strategies from global macro strategies.

The overall target to illiquid assets was increased to 23% from 20.5%. Within illiquid assets, the pension fund increased its target to global infrastructure to 10% of the overall pension fund from 7.5%, reduced the target to private equity funds of funds to 8% from 10% and created a new 2% target to venture capital funds. The target to private equity mezzanine funds remained unchanged at 3%.

Finally, the target to core real estate was reduced to 7.5% from 10%.

As of Sept. 30, the actual allocation was 27.8% domestic equities, 22.9% international equities, 17.5% fixed income, 9.9% real estate, 8.7% private equity, 7.9% infrastructure, 4.5% risk parity and the rest in cash equivalents. Rob Kozlowski, *Pension & Investments*, www.pionline.com, January 05, 2021.

8. THIS RETIREMENT RULE WILL BE BACK WITH A VENGEANCE IN 2021:

The [money](#) in your [retirement](#) savings account generally can't sit there forever. Unless you have a Roth IRA, you're obligated to remove a portion of your account balance

each year once you turn 72. These obligatory withdrawals are known as required minimum distributions, or RMDs, and they're calculated based on your savings balance and life expectancy.

Failing to take RMDs has serious consequences -- namely, a 50% [tax](#) penalty on any amount you don't remove. For example, if you're liable for a \$10,000 RMD and you only withdraw \$6,000, you'll forfeit 50% of the remaining \$4,000 to the IRS, resulting in a \$2,000 loss.

Not only can RMDs result in penalties, but they can also cause a tax hassle. Traditional IRA and 401(k) withdrawals are taxed as ordinary income, and RMDs fall into the same category -- even though they're obligatory.

But seniors got relief on the RMD front this year. Thanks to the CARES Act, which was passed into law in late March to provide pandemic relief, RMDs were waived for 2020. That allowed many seniors to reap tax savings at a difficult time. But RMDs will be back on the table in 2021. Now's the time to prepare for them to avoid getting caught off-guard.

Plan ahead for your RMD

For some seniors, RMDs aren't a hassle so much as a necessity. Many older Americans rely on the money in their IRAs and 401(k)s to pay the bills and would be taking withdrawals even if RMDs didn't exist. But if you don't need money from your IRA or 401(k) for living expenses, then next year's RMD could be a huge burden from a tax perspective.

You may find that next year's RMD is higher than expected. As previously mentioned, RMDs are based on your life expectancy as well as the amount of money you have in your retirement plan. If you don't take an RMD this year, you may have a higher balance going into 2021, leaving you on the hook for a larger withdrawal and more taxes. Though many retirement plans lost value back in March when the stock market tanked, many have since recovered.

Of course, just because the CARES Act has waived RMDs for 2020 doesn't mean you're not allowed to take yours. Removing those funds from your retirement plan this year could ease the burden for next year. But that benefit will be offset by the taxes you'll pay on that 2020 withdrawal. It may not be worth it if you don't actually need the money.

RMDs are annoying for those who would rather leave their savings alone. Unfortunately, in the absence of a major health crisis, there's really no getting around

them. The key is to know what to expect for 2021. Factor both your withdrawal and the taxes you'll pay on it into your retirement budget ahead of time. Maurie Backman, Motley Fool, www.fool.com. December 26, 2020.

9. IS 2021 YOUR YEAR TO CLAIM SOCIAL SECURITY:

One of the most critical decisions to consider while planning for retirement is when you want to begin claiming Social Security benefits. You can file for benefits starting at age 62 but waiting until after that age to claim will result in larger checks each month. If you're thinking about claiming Social Security in 2021, it's important to understand how it will affect your monthly payments. By filing for benefits at the right age, you can maximize your checks.

Choosing the best age to claim benefits

Age 62 is the most popular age to file for Social Security benefits, according to a report from the Center for Retirement Research at Boston College. But the age you choose to claim is highly personal, and it will depend on your unique situation.

Before you begin claiming, make sure you understand your [full retirement age](#) (FRA) -- or the age at which you'll receive the full benefit amount you're entitled to. If you were born in 1960 or later, your FRA is 67 years old. If you were born before 1960, you have an FRA of either 66 or 66 and a certain number of months. Those turning 62 in 2021 have an FRA of 66 years and 10 months, for example. The age you claim directly affects how much you'll receive each month. For example, say you have an FRA of 66 years and 10 months, and you'd receive \$1,500 per month by claiming at that age. If you claim at age 62 in 2021, you'll receive 70.8% of your full benefit amount, or \$1,062 per month.

Keep in mind, too, that by claiming early, these benefit reductions will be permanent. In other words, you won't start receiving more money each month once you reach your FRA. This means it's critical to ensure you've thought about this decision carefully.

Are you ready to file for benefits?

No matter what age you choose to claim, it's important to make sure you're ready before you begin claiming benefits. Once you file for Social Security, your decision is generally locked in for the rest of your life. So if you change your mind a few years down the road, you may not be able to do anything about it.

One factor to consider before you file for benefits is how much you have in savings. If you have a healthy [retirement fund](#), you may not need to rely as much on Social Security benefits. But if you know money will be tight in retirement, you may opt to delay claiming benefits to earn larger checks.

It's also a good idea to create a claiming strategy with your spouse. If you're both entitled to benefits, it can be wise to have one spouse claim before the other. For example, the lower-earning spouse may claim at age 62 so the two of you have some extra income earlier in retirement. Then the higher-earning spouse can delay benefits until age 70 to earn as much as possible each month.

Finally, think about whether you want to continue working part-time after you claim benefits. If you haven't reached your FRA yet, working after claiming benefits could temporarily reduce your monthly payments. The good news is that the Social Security Administration will recalculate your benefit amount at your FRA to account for any benefits that were withheld due to your income. But keep in mind that, at least in the short term, you may receive less than you expect each month if you continue to work.

Choosing when to claim Social Security is an important step in the retirement planning process. If you think you're ready to begin claiming in 2021, make sure you understand all the factors that can affect your benefits. The more you know about how the program works, the better off you'll be in retirement. Katie Brockman, Motley Fool, www.fool.com, January 3, 2021.

10. SIXTY PERCENT OF WORKERS DIPPED INTO RETIREMENT FUNDS DURING 2020:

Workers' retirement accounts have been hit by the COVID-19 recession. Kiplinger Personal Finance and Personal Capital's November [survey](#) revealed nearly 60% of older American workers withdrew or borrowed money from an IRA or 401(k) during the pandemic, and nearly two-thirds used those retirement savings to cover basic living expenses.

We saw hints that withdrawal rates would be high in 2020. At the beginning of the pandemic [30%](#) of Americans said they withdrew money from their retirement savings accounts in the previous two months for groceries and housing bills.

And a [Financebuzz](#) survey concluded [more than a quarter](#) of Americans have slowed or stopped contributing to their retirement savings due to COVID-19. And 21% of Americans haven't started saving for retirement yet -- including 45% of Gen Z and 20% of millennials. And starting early is about the only hope anyone has of having enough retirement assets especially when interest rates will stay low for longer.

I do not [criticize people](#) for dipping into their retirement funds for emergencies. We are forcing people to make a devil's choice between their present and future selves. The U.S. has weak safety nets so people have to weaken their old age security, and give up tax free accumulations, just to get by.

And it is not just employees withdrawing savings. Employers are cutting back too because we have a voluntary retirement system. According to the [Plan Sponsor Council of America](#), about 8% of employers slashed their 401(k) contributions in 2020.

Workers are also hit by low returns

Saving for retirement and keeping the money in retirement accounts has always been spotty and subject to luck and circumstances. And saving long term is even more tricky as financial returns on safe assets look to be quite low for years. Even if everything is going your way and you and your employer are socking money away for your retirement, contributions to retirement funds would have to double to counteract the effect of interest rates falling.

Here is the gripping math. MIT Professor James Poterba [argues](#) workers should save 40% (!) of income to get a lifetime income stream to cover half of our pre-retirement income if we can get 6% returns and save for at least 20 years. If workers do what workers don't and start socking away money for retirement in their 20s the savings rate only has to be about 15-22% of pay.

But that math is mostly [fantasy](#). Retirement saving rates before COVID-19 were about [13% \(employer and employees\)](#) for only about half of the workforce.

Financial fragility has risen because of COVID-19

It makes sense people are dipping into their retirement accounts. This week at the Annual Economics Association meetings (virtual this year – bad that there is a pandemic, good I didn't have to go to Chicago in January-- we economists like good hotel deals!) economists Robert L. Clark, Annamaria Lusardi, and Olivia S. Mitchell [found](#) financial fragility has increased because of COVID-19 especially among younger people and women. The financial fragility now will have life-long effects. The young are supposed to save to take advantage of compounding and women live longer so they need more financial assets.

Clark, Lusardi, and Mitchell's survey is validated by the [Federal Reserve's](#) survey before the COVID-19 recession -- 37 percent of adults said they could not cover a hypothetical expense of \$400 with cash, savings, or a credit card, instead, they might turn to Payday lenders who can charge up to 400% interest for a two week loan, according to the [Consumer Financial Protection Bureau](#). They might also turn to the retirement account and certainly they will not save. A [Ceridian commissioned a Harris poll survey](#) mid October 19 confirmed these studies -- one-third of Americans do not have enough saved to cover monthly groceries.

There is nothing new about workers nearing retirement being financially fragile, what is new, as the New School's Retirement Equity Lab found, is that financial fragility has increased dramatically since the early 1990s.

Let's be clear. Lack of impulse control and lack of financial literacy is not the CAUSE of inadequate savings. Scholars have found that people who are more financially literate are better off financially; but what comes first -- the finances or the literacy?

Teaching compound interest and the effect of inflation may motivate a few people to save, but more likely the knowledge reinforces and rewards people who have the means and platforms – like an employer retirement plan – to save. Downward financial mobility in old age is not a natural consequence of suboptimal human behavior. Retirement income support programs have failed. The Biden – Harris Administration has plans to shore up retirement savings. And the Biden's nominee for a Cabinet Post, Peter Buttigieg had, when he was running for presenting a set of comprehensive plans.

Americans not having enough assets for a dignified retirement is a result of failed policy choices that we can overcome by expanding Social Security and adopting a public option 401(k) to halt the growth in elder poverty, downward mobility, and to reduce retirement inequality. Teresa Ghilarducci, *Forbes*, www.forbes.com, January 6, 2021.

11. TREASURY AND IRS BEGIN DELIVERING SECOND ROUND OF ECONOMIC IMPACT PAYMENTS TO MILLIONS OF AMERICANS:

The Internal Revenue Service and the Treasury Department began delivering a second round of Economic Impact Payments as part of the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 to millions of Americans who received the first round of payments last year.

The initial direct deposit payments began arriving as early as December 29, 2020 for some and will continue into next week. Paper checks will begin to be mailed Wednesday, December 30, 2020.

The IRS emphasizes that there is no action required by eligible individuals to receive this second payment. Some Americans may see the direct deposit payments as pending or as provisional payments in their accounts before the official payment date of January 4, 2021. The IRS reminds taxpayers that the payments are automatic, and they should not contact their financial institutions or the IRS with payment timing questions.

As with the first round of payments under the CARES Act, most recipients will receive these payments by direct deposit. For Social Security and other beneficiaries who received the first round of payments via Direct Express, they will receive this second payment the same way.

Anyone who received the first round of payments earlier this year but doesn't receive a payment via direct deposit will generally receive a check or, in some instances, a debit card. For those in this category, the payments will conclude in January. If additional legislation is enacted to provide for an additional amount, the Economic Impact Payments that have been issued will be topped up as quickly as possible.

Eligible individuals who did not receive an Economic Impact Payment this year — either the first or the second payment — will be able to claim it when they file their 2020 taxes in 2021. The IRS urges taxpayers who didn't receive a payment this year to review the eligibility criteria when they file their 2020 taxes; many people, including recent college graduates, may be eligible to claim it. People will see the Economic Impact Payments (EIP) referred to as the Recovery Rebate Credit (RRC) on Form 1040 or Form 1040-SR since the EIPs are an advance payment of the RRC.

“Throughout this challenging year, the IRS has worked around the clock to provide Economic Impact Payments and critical taxpayer services to the American people,” said IRS Commissioner Chuck Rettig. “We are working swiftly to distribute this second round of payments as quickly as possible. This work continues throughout the holidays and into the new year as we prepare for the upcoming filing season. We urge everyone to visit IRS.gov in the coming days for the latest information on these payments and for important information and assistance with filing their 2021 taxes.”

Authorized by the newly enacted COVID-relief legislation, the second round of payments, or “EIP 2,” is generally \$600 for singles and \$1,200 for married couples filing a joint return. In addition, those with qualifying children will also receive \$600 for each qualifying child. Dependents who are 17 and older are not eligible for the child payment.

Payments are automatic for eligible taxpayers

Payments are automatic for eligible taxpayers who filed a 2019 tax return, those who receive Social Security retirement, survivor, or disability benefits (SSDI), Railroad Retirement benefits as well as Supplemental Security Income (SSI) and Veterans Affairs beneficiaries who didn't file a tax return. Payments are also automatic for anyone who successfully registered for the first payment online at IRS.gov using the agency's Non-Filers tool by November 21, 2020 or who submitted a simplified tax return that has been processed by the IRS.

Who is eligible for the second Economic Impact Payment?

Generally, U.S. citizens and resident aliens who are not eligible to be claimed as a dependent on someone else's income tax return are eligible for this second payment. Eligible individuals will automatically receive an Economic Impact Payment of up to \$600 for individuals or \$1,200 for married couples and up to \$600 for each qualifying child. Generally, if you have adjusted gross income for 2019 up to \$75,000 for individuals and up to \$150,000 for married couples filing joint returns and surviving spouses, you will receive the full amount of the second payment. For filers with income above those amounts, the payment amount is reduced.

How do I find out if the IRS is sending me a payment?

People can check the status of both their first and second payments by using the Get My Payment tool, available in English and Spanish only on IRS.gov. The tool is being updated with new information, and the IRS anticipates the tool will be available again in a few days for taxpayers.

How will the IRS know where to send my payment? What if I changed bank accounts?

The IRS will use the data already in our systems to send the new payments. Taxpayers **with** direct deposit information on file will receive the payment that way. For those **without** current direct deposit information on file, they will receive the payment as a check or debit card in the mail. For those eligible but who don't receive the payment for any reason, it can be claimed by filing a 2020 tax return in 2021. Remember, the Economic Impact Payments are an advance payment of what will be called the Recovery Rebate Credit on the 2020 Form 1040 or Form 1040-SR.

Will people receive a paper check or a debit card?

For those who don't receive a direct deposit by early January, they should watch their mail for either a paper check or a debit card. To speed delivery of the payments to reach as many people as soon as possible, the Bureau of the Fiscal Service, part of the Treasury Department, will be sending a limited number of payments out by debit card. Please note that the form of payment for the second mailed EIP may be different than for the first mailed EIP. Some people who received a paper check last time might receive a debit card this time, and some people who received a debit card last time may receive a paper check.

IRS and Treasury urge eligible people who don't receive a direct deposit to watch their mail carefully during this period for a check or an Economic Impact Payment card, which is sponsored by the Treasury Department's Bureau of the Fiscal Service and is issued by Treasury's financial agent, MetaBank®, N.A. The Economic Impact Payment

Card will be sent in a white envelope that prominently displays the U.S. Department of the Treasury seal. It has the Visa name on the front of the Card and the issuing bank, MetaBank®, N.A. on the back of the card. Information included with the card will explain that this is your Economic Impact Payment. More information about these cards is available at [EIPcard.com](https://www.eipcard.com).

Are more people eligible now for a payment than before?

Under the earlier CARES Act, joint returns of couples where only one member of the couple had a Social Security number were generally ineligible for a payment – unless they were a [member of the military](#). But this month's new law changes and expands that provision, and more people are now eligible. In this situation, these families will now be eligible to receive payments for the taxpayers and qualifying children of the family who have work-eligible SSNs. People in this group who don't receive an Economic Impact Payment can claim this when they file their 2020 taxes under the Recovery Rebate Credit.

Is any action needed by Social Security beneficiaries, railroad retirees and those receiving veterans' benefits who are not typically required to file a tax return?

Most Social Security retirement and disability beneficiaries, railroad retirees and those receiving veterans' benefits do not need take any action to receive a payment. Earlier this year, the IRS worked directly with the relevant federal agencies to obtain the information needed to send out the new payments the same way benefits for this group are normally paid. For eligible people in this group who didn't receive a payment for any reason, they can file a 2020 tax return.

I didn't file a tax return and didn't register with the IRS.gov non-filers tool. Am I eligible for a payment?

Yes, if you meet the eligibility requirement. While you won't receive an automatic payment now, you can still claim the equivalent Recovery Rebate Credit when you file your 2020 federal income tax return.

Will I receive anything for my tax records showing I received a second Economic Impact Payment?

Yes. People will receive an IRS notice, or letter, after they receive a payment telling them the amount of their payment. They should keep this for their tax records.

Where can I get more information?

For more information about Economic Impact Payments and the 2020 Recovery Rebate, key information will be posted on [IRS.gov/eip](https://www.irs.gov/eip). Later this week, you may check the status of your payment at [IRS.gov/getmypayment](https://www.irs.gov/getmypayment). For other COVID-19-related tax

relief, visit [IRS.gov/coronavirus](https://www.irs.gov/coronavirus). IRS News Release, IR-2020-280, www.irs.gov, December 29, 2020.

12. STIMULUS PAYMENTS FOR PEOPLE, NOT NURSING HOMES:

If you, or someone you care about, lives in an assisted living facility or nursing home, read on. Because the bill funding the second round of Economic Impact Payments (EIPs) has now been signed into law. The money -- right now, \$600 per person who qualifies -- is being sent out over the next few weeks. And, like last time, the money is meant for the PERSON, not the place they might live.

In [the first round](#), which I'll call EIP 1.0, we know that some nursing facilities tried to take the stimulus payments intended for their residents...particularly those on Medicaid. Which wasn't, shall we say, legal, and kept some attorneys general busy recovering those funds for people.

Now, with EIP 2.0, we would hope those facilities have learned their lesson. But, just in case, let's be clear: If you qualify for a payment, it's yours to keep. If a loved one qualifies and lives in a nursing home or assisted living facility, it's theirs to keep. The facility may not put their hands on it or require somebody to sign it over to them. Even if that somebody is on Medicaid.

It would be worth a quick chat with management of the facility in question, just to remind them that the rules are the same this time through. And if you hear about a nursing home or assisted living facility being grabby about Economic Impact Payments, tell your [state attorney general](#) right away. And then tell the FTC at www.ReportFraud.ftc.gov. Lois C. Greisman, Elder Justice Coordinator, FTC, www.ftc.gov, January 4, 2021.

13. IRS RELEASES 2020 PROGRESS UPDATE; ANNUAL REPORT DETAILS UNPRECEDENTED YEAR:

The Internal Revenue Service released its 2020 annual report describing the agency's work delivering taxpayer service and compliance efforts during COVID-19 while spotlighting actions taken by IRS employees to help people during the challenging year.

["Internal Revenue Service Progress Update/Fiscal Year 2020 – Putting Taxpayers First PDF"](#) outlines how the agency overcame difficulties during the pandemic to deliver Economic Impact Payments in record time. At the same time, IRS employees made adjustments to complete a successful filing season despite office closures and the latest tax deadline ever.

"The COVID-19 pandemic presented some of the greatest challenges to the IRS in its history, both in terms of being able to carry out our mission and in protecting the health and safety of taxpayers and our own workforce," IRS Commissioner Chuck Rettig wrote in the report's opening message and addressed in his [A Closer Look](#) column. "IRS employees responded admirably by quickly facilitating financial assistance to millions of deserving and needy Americans."

The 44-page report also highlights accomplishments around the agency's six strategic goals and identifies ongoing modernization efforts. This year's edition also discusses work related to implementing the Taxpayer First Act.

"Even with all the challenges, we believe we have made great strides during Fiscal Year 2020, but we want to do more," Rettig said.

Rettig explained that each year the IRS collects more than \$3 trillion in taxes and generates approximately 96% of the funding that supports the federal government's operations.

"My experiences as Commissioner have strengthened my belief that a fully functioning IRS is critical to the success of our nation," he said. "When citizens can perform their civic duty each year by preparing and filing their taxes and paying only what they should, they help fund critical aspects of the United States ranging from schools and roads to Social Security payments and the nation's military."

The document lays out numerous examples of how IRS employees helped taxpayers, including:

- Expanded information and assistance available to taxpayers in additional languages and underserved communities to help deliver Economic Impact Payments and other services.
- Adjusted agency processes through the People First Initiative to help people and businesses encountering payment and other challenges during the pandemic.
- Offered an electronic filing option for amended tax returns with the new Form 1040-X, marking a major milestone to help taxpayers and the tax community.
- Served their communities outside official duties through charitable donations and service projects.

The report also illustrates ways IRS employees worked to maintain the tax system through a strong, visible, and robust tax enforcement presence. The IRS enhanced its criminal investigation and civil enforcement efforts with an expanded use of data analytics and artificial intelligence across all lanes from selection to examination.

The new Progress Update also highlights IRS work partnering on landmark criminal investigative cases that brought down child pornography, drug and terrorist organizations.

The agency continued to step up its pursuit of those who promote and make use of abusive tax shelters, including syndicated conservation easements, where it saw successful Tax Court litigation and the completion of the first settlement initiative.

The report also explains the IRS' Integrated Business Modernization Plan, the roadmap guiding agency efforts to offer best-in-class service people are accustomed to receiving from an online retailer or financial institution.

"As we move into the future, the name of the game for the IRS will continue to be innovation, creativity and service to the people of our country to make their world better," Rettig said. "Given all we've accomplished together in 2020 and all we're working to achieve, we believe the future looks bright for the IRS, the tax system and our nation." The resource document complements other documents, including the annual IRS Data Book. IRS News Release, IR-2021-03, www.irs.gov, January 5, 2021.

14. FOR THOSE WHO LOVE WORDS:

Does "Bimonthly" Mean Twice A Month Or Every Two Months? Click [here](#) to find out.

15. A THOUGHT FOR TODAY:

"Everything you can imagine is real." -Pablo Picasso

16. TODAY IN HISTORY:

On this day in 1999, President Bill Clinton's impeachment trial begins in the US Senate after the House voted to impeach him for lying about his affair with Monica Lewinsky.

17. REMEMBER, YOU CAN NEVER OUTLIVE YOUR DEFINED RETIREMENT BENEFIT.