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**1. PENSION BREACH BLAMED ON THIRD-PARTY SERVICE PROVIDER:**

One of the last things pension plan participants wanted to learn as they got ready to celebrate the holidays last December was that personal data from their pension accounts may have been compromised. This was the case, unfortunately, for approximately 30,000 Now: Pensions customers whose names, postal and e-mail addresses, birth dates and the equivalent of Social Security numbers were hacked and posted online. According to reports, the U.K. company, which helps to administer millions of

workplace pensions, attributed the incident to a third-party service provider.

Of course, the challenge of managing the cybersecurity risk of third-party service providers does not exist solely across the pond. During a recent SPARK Cybersecurity Virtual Event, Tim Hauser, deputy assistant secretary for national office operations at U.S. Department of Labor's (DOL's) Employee Benefits Security Administration, observed:

When a plan fiduciary is hiring somebody who is going to be responsible for confidential, personal information, or who's going to be running systems to keep track of people's account balances and the like, there's a responsibility to make sure that you've hired that person prudently, that firm prudently...And if you think about plans and the universe I described, that's just shy of \$11 trillion, and with personal health and pension data, there are a lot of tempting targets there and what we've seen in our own enforcement actions, especially in our criminal programs, vulnerabilities are taken advantage of.

According to Hauser, the DOL is developing guidance for plan sponsors in the U.S. that would cover cybersecurity issues and third-party service providers for retirement plans.

Just as so many other organizations affected by a breach experienced by one of their third-party service providers, Now: Pensions has provided notification to pension account holders and regulators. Reports indicate the breach occurred over a three-day period in mid-December and the compromised data had been obtained "by an unknown third party."

At this point, similarly, situated organizations might be considering whether to move away from the service provider that caused the

incident. Here are some reasons why that may not be the best course of action. However, one to-do item that should be a given following a breach like this is to revisit the procurement process for selecting service providers, update it as needed to make sure it appropriately addresses cybersecurity risks, and ensure it is prudently implemented.

### **ERISA Oversight Duties**

When it comes to employee benefit plans subject to the Employee Retirement Income Security Act (ERISA), hiring a service provider is in and of itself a fiduciary function. When considering cybersecurity, there are a number of steps plan sponsors and administrators can take to prudently assess the data privacy and security capabilities of potential plan service providers. Some examples include:

- Take the general threats and vulnerabilities of plan service providers into account when conducting the organization's enterprise data security risk assessment.,
- Meet with the service provider's IT lead, but also others in the service provider's organization—legal, accounting, HR, sales, etc. This will give you a better sense of the culture of privacy and security at the service provider.
- Require the service provider to complete a detailed list of pointed data privacy and security questions, the answers to which to be actively evaluated by your IT team, counsel, and/or consultant.
- Ask about prior data security incidents and how they were handled.

- Review the service provider's policies and procedures.
- Require the service provider to submit to an independent data security audit/review, penetration test.
- Ask the service provider about its data breach response plan, and how often it is practiced. Plan to include the service provider when you practice your own response plan and gauge their openness to that.

This is not an exhaustive list, and each step could be fleshed out more or less depending on the risk the service provider presents. In addition, it is appropriate to incorporate appropriate representations and additional protections concerning data privacy and security in the ultimate services agreement.

The point is that because of the critical role service providers play and the information they have access to (which may include not just personal information but also company proprietary data), the measures taken to evaluate plan service providers' privacy and data security risk should happen at the procurement stage and on an ongoing basis, not just when a breach happens. Joseph J. Lazzarotti, [www.shrm.org](http://www.shrm.org), February 12, 2021.

## **2. A REVIEW OF QDIA REGULATIONS:**

Qualified Default Investment Alternatives (QDIAs) are soluble options to create portfolio growth for defined contribution (DC) plan participants while protecting plan fiduciaries.

QDIAs were introduced in 2006 by the Pension Protection Act (PPA) and offer a path for plan sponsors to designate default investment alternatives for participants who fail to choose investments. Plan fiduciaries can select between target-date funds (TDFs), lifecycle funds, managed accounts, and balanced

funds.

Balanced funds offer a mix of equity and fixed-income investments. These funds are targeted to the plan as a whole rather than individual participants, says Douglas Neville, attorney, officer, and practice group leader at Greensfelder, Hemker & Gale, P.C.

Professionally managed accounts are similar to balanced funds--they also provide a mix of equities and fixed investments--but they are specifically tailored to each individual participant. TDFs invest based on a participant's age or time to retirement, and lifecycle funds invest according to a participant's risk tolerance, which also could be based on age.

Providing a QDIA offers two main advantages: For plan sponsors, it relieves fiduciaries of liabilities related to investment losses, with the added benefit of automatically providing investments that may lead to future growth. This is why QDIAs are most popular in plans with automatic enrollment, Neville says.

"They're crucial for plans with participants who are not going to be making investment elections," he adds. "For someone who fails to make an investment election, if you can meet the requirements to satisfy the QDIA rules, it reduces your fiduciary liability significantly."

Providing a default investment alternative completes all the work in making an investment choice and simplifies the DC plan process by automatically investing participants' long-term savings, Neville explains.

### **Follow the Rules**

One of the most significant requirements plan sponsors must

meet in offering QDIAs is to allow participants to choose their own investment selections, Neville says. If a participant fails to do so by the required deadline, then plan fiduciaries can choose a default alternative.

Second, fiduciaries are required to issue a paper copy of plan notices “at least 30 days in advance of the first time the amount would be invested in a QDIA,” says Neville. For plans with immediate eligibility, the notices must be provided as soon as practicable. Plan sponsors are also required to issue notices annually at least 30 days prior to each plan year.

Plan participants also must be given materials related to the QDIA, such as prospectuses or notices of how the vehicle invests. Additionally, the plan must allow participants to switch out of the QDIA as often as other participants may change their plan investments. At a minimum, plan participants must be given this opportunity at least quarterly, Neville notes.

Finally, there are restrictions on a QDIA’s features. For example, the investments selected cannot impose financial penalties on withdrawals from the QDIA when a participant is moving funds to other investment options for the plan.

Robyn Credico, managing director of retirement at Willis Towers Watson, also mentions that plan fiduciaries must dutifully continue to monitor a QDIA regularly. “The biggest, most important rule is that a fiduciary has to be careful of what they pick in a QDIA and they have to monitor it on an ongoing basis,” she says.

This is particularly true for TDFs. Because TDFs use glide paths that shift from aggressive too conservative over time and are based on a participant’s age, it’s trickier to benchmark these investments against other alternatives. This poses a unique

challenge for fiduciaries, Credico says. “Especially for TDFs, you need to benchmark frequently, as to whether or not it is appropriate for plan participants and whether your participants are using it,” she explains.

### **Can You Offer Two QDIAs?**

PLAN SPONSORS typically will provide one qualified default investment alternative (QDIA), but it is possible to offer multiple, different options for distinct groups of participants, also known as hybrid QDIAs, Neville says.

However, hybrid QDIA adoption by plan sponsors is rare. There are different ways the industry defines hybrid QDIAs, but, generally, they are set up so that a certain segment of a defined contribution (DC) plan participant population is first defaulted into one vehicle, and then later defaulted into a different vehicle when certain triggers are met, James Martielli, head of Vanguard Investment Solutions, previously told PLANSPONSOR.

Credico explains that some fiduciaries will offer a hybrid QDIA that first invests participants in a target-dated fund (TDF) and moves them to a more personalized managed account as they approach retirement, such as at age 50, for example.

Since managed accounts tend to have higher fees than other types of QDIAs, they might not be best for younger participants, but they can offer more personalization for moving to more conservative investments closer to retirement, Credico says. Amanda

Umpierrez, *PLANSPONSOR*, [www.plansponsor.com](http://www.plansponsor.com), February 11, 2021.

### **3. PENNSYLVANIA STATE EMPLOYEES RETURNS 11.1%**

## **IN 2020:**

Pennsylvania State Employees' Retirement System, Harrisburg, posted a net return of 11.1% for the year ended Dec. 31, the \$34.5 billion pension fund announced.

For the year ended Dec. 31, 2019, the pension fund had returned a net 18.8%.

PennSERS' portfolio reached \$25.1 billion in late March amid the coronavirus pandemic, its lowest point during the year. Shortly thereafter, the board temporarily expanded the chief investment officer's authority to execute certain investment actions on the board's behalf for the rest of the year, which allowed the CIO to manage cash and adjust public market holdings, as needed.

Seth A. Kelly, CIO of PennSERS, said in a news release announcing the pension fund's annual return that "the past year brought an array of unprecedented challenges, mostly resulting from the COVID pandemic," before adding: "Initially, the financial markets experienced a great deal of volatility, but managed to recover."

PennSERS Executive Director Terrill J. Sanchez added in the same news release: "The strong investment returns, coupled with employer contributions at the full actuarially calculated amount and Penn State University's lump-sum advance payment of nearly \$1.1 billion toward its unfunded liability allowed the fund to grow over the year, even after paying nearly \$3.6 billion in pension benefits." PennSERS will announce returns by asset class after its February 24, 2021 board meeting. James Comtois, *Pension & Investments*, [www.pionline.com](http://www.pionline.com), February 17, 2021.

#### **4. PENSION CONSOLIDATION; OPTIMIZING SCALE AND MAXIMIZING EFFICIENCY:**

Summary: The US is facing a retirement crisis. Defined benefit plans have been under assault for decades and the pressure to reduce costs and soften the impact of market volatility from public company balance sheets and income statements has nearly eliminated traditional pensions.

Public pensions, on the other hand, have generally continued to provide a reasonable retirement for their covered workers. These programs, faced with low return expectations over the coming years, need reduced costs, greater operational efficiency and better access to top tier diversifying strategies. Having sufficient scale may help realize those objectives. Click [here](#) to read the full report. James Perry and Mark Weir, Maples Group, *Pension & Investments*, [www.pionline.com](http://www.pionline.com), January 1, 2021.

#### **5. ASK CARRIE; SHOULD I TAKE THE LUMP SUM OPTION FROM MY PENSION:**

*Dear Carrie, I'm about to retire and have to decide between taking a lump sum or lifetime income payments for my pension. I'm leaning toward taking the lump sum. Is this a good idea?*

*Response:* My first thought is to say congratulations! A pension in any form--whether taken as a lump sum or as lifetime income (sometimes called a pension annuity)--or some combination of both is a valuable and increasingly rare benefit. This is an important retirement decision. So my first piece of advice is to take your time and weigh all the [options](#) carefully. A lump sum can seem alluring, no doubt, but consider tax implications as well as potential benefits of spreading out payments over a longer period of time.

I also want to point out that one choice isn't universally better than other options that may be available. The best choice for *you* will depend completely on your individual circumstances. Let's take a look at some of what you need to consider before making this very important decision.

### **Start by understanding the math**

As you start to do your analysis, it can be helpful to compare the raw numbers. As an example, let's say you're trying to decide between a \$300,000 lump sum or lifetime income of \$2,000 per month. This amounts to an annual return of 5.17 percent if you live another 20 years. In other words, if you were to take the lump sum and invest it on your own, you'd have to earn an average annual return of 5.17 percent to equal income of \$2,000 per month for 20 years.

However, this isn't quite an apples-to-apples comparison. The lifetime income payments include a return some of the original contributions along with investment returns. Additionally, it is guaranteeing you'll receive the same amount of income if you live *beyond* 20 years. The 5.17 percent from investing the lump sum is a return *on* your money. Your actual investment results may wind up better or worse than this —with no guarantees.

Complicating the analysis is whether income from your pension has a cost-of-living adjustment (COLA), which can increase your payments to help keep up with inflation. This is a major factor because without a COLA you can lose considerable purchasing power over time.

### **Your health and life expectancy are key**

Let's continue with the example above. If you take the lump sum, the longer you live beyond 20 years, the higher your annual return

will need to be to match the lifetime income payments. Conversely, the shorter your life, the more valuable the lump sum. Take an honest look at your health and family history of longevity before you make your decision.

### **Think about the impact on your loved ones**

If you opt for lifetime income payments, you may have choices that would reduce your monthly payments but continue to pay lifetime income to your spouse or another survivor. A lump sum, on the other hand, could provide more flexibility or benefits for other beneficiaries.

### **Consider the rest of your finances**

If you have considerable financial resources--brokerage, 401(k), IRA, business assets--and other sources of reliable monthly income (for example, Social Security or rental income) you may have less of a need for another source of lifetime income. Taking a lump sum could help you pay off debts. On the other hand, if you're concerned about covering your essential monthly expenses and like the idea of having a source of guaranteed monthly income, that could favor the annuity over a lump sum.

### **Be honest about your investing skills, interest, and desire for control**

Managing a lump sum takes skill and discipline. If you work with a financial advisor or if you're an experienced investor and are willing to put in the time, the lump sum could be a good fit, but make sure to consider fees. However, if you're uncertain about your investment ability or would rather spend your time doing other things in retirement, lifetime income could be a better choice.

### **Weigh your risks**

Either choice involves a certain degree of risk. If you choose a lump sum, your employer transfers all investment risk to you. You could do better--or worse--than the lifetime income option. Another concern is longevity risk, or the possibility that you'll overspend and run out of money.

On the other hand, there are risks with choosing lifetime income--for example, dying prematurely, missing out on better investment returns, or having the pension assets lose value if the plan isn't adequately funded. The federal [Pension Benefit Guaranty Corporation \(PBGC\)](#) provides a certain amount of protection for private pension participants; if you work in the public sector, your employer generally offers guarantees through the federal, state, or municipal governments.

### **Think about taxes**

If you take monthly income, your payments are subject to ordinary income tax. If you take a lump sum in cash, it's immediately taxable and you'll be subject to 20 percent federal (and potentially state) mandatory tax withholding. With a few [exceptions](#), distributions taken prior to age 59½ are subject to a 10 percent IRS early withdrawal penalty. Withdrawals do not need to begin until age 72.

Alternatively, you could likely [roll over the lump sum](#) into a traditional IRA or potentially into another employer plan and defer taxes until you take withdrawals in the future.

### **You may have more than one option**

Sometimes you don't have to make an all-or-nothing decision. Depending on your plan, you may be able to take a portion of your plan balance in a lump sum and the rest in a series of income payments. Other options might include starting the

pension at a later date. Be sure you understand the details and how these arrangements would impact your total payout.

As you can see, choosing between a lump sum and lifetime income payments is a complicated decision. As you weigh your options, it can be very helpful to consult with a trusted financial advisor. If you're married, it's also essential to consider your spouse. Your choice will impact both of you for many years, so take the time to make an informed decision.

Whatever you decide, congratulations on your retirement. You've worked many years to earn your pension; now you get to enjoy its benefits. Carrie Schwab-Pomerantz, Parade, <https://parade.com/>, February 15, 2021.

## **6. CALIFORNIA POLICE UNIONS SUPPORT DIVERSITY AND TRAINING BILL:**

California's largest law enforcement union on Thursday announced its support for a bill that seeks to modernize training for officers and diversify police departments by creating new recruitment channels.

The bill's author state Sen. Anthony Portantino, D-La Cañada Flintridge, said Senate Bill 387, known as the Law Enforcement Academic and Recruitment Next Act, would lead to increased recruitment of potential peace officers from under-represented populations.

"Community policing is more complex than ever, and we need officers that reflect our diverse communities and adapt to their values," Portantino said in a statement.

He announced his bill with backing from the Peace Officers Research Association of California--which lobbies for California

police unions--and from the California Police Chiefs Association. The bill would create law enforcement "outreach teams" who would be asked to share their experiences with diverse communities. That's one way police departments can diversify job candidate pools without violating the state's 1996 ban on affirmative action policies that prohibits race-based considerations in hiring.

"We must do more to show the value of a career in law enforcement as an honorable profession worthy of pursuing for all of California's youth, regardless of their background, race, gender or financial status," said Brian Marvel, president of the Peace Officers Research Association of California, in a statement.

The bill also calls for the state to begin planning for the creation of a law enforcement degree that reflects "a multi-discipline approach to capture all the various skill-set requirements necessary of the modern police officer."

The bill would create a fund for potential and current peace officers to pursue a college education to help them pursue higher education or training, aiming to open the door for more candidates from varying socioeconomic backgrounds.

Additionally, it would increase coursework for prospective officers during their training and feature classes on mental health, psychology, social services, communication, and other subjects.

"The basic functions and duties of an officer have changed immensely over the years, but the recruitment strategies, pre-requisite training and types of education we expect our officers to have needs updating," Portantino said.

After the killing of George Floyd, a Black Minnesotan who died in

law enforcement custody in May after a white police officer kneeled on his neck for several minutes, police reform advocates have called for police departments to reflect their diverse communities. Others have called for more de-escalation courses for police officers to use during mental health crises, as well as racial bias training.

As of December 2020, white officers remain over-represented in the California Highway Patrol's force, accounting for 63.6 percent of uninformed officers, according to the department's figures.

One 2021 report released by the state's Racial and Identity Profiling Advisory Board showed that Black Californians were more likely to be stopped by officers for "reasonable suspicion" than Latinos or whites, despite accounting for 6 percent of the state population. The study also found that Black individuals were also more likely to be searched, detained, handcuffed, and removed from their cars by officers than whites.

In Sacramento, about 65 percent of Sacramento Police Department employees are white, followed by Hispanics, 15 percent, Asian Americans, 9 percent, and Blacks, 5 percent, according to a 2020 gender and racial diversity audit of city employees. Census data shows whites account for 46 percent of Sacramento's population, followed by Hispanics, 29 percent, Asian Americans, 19 percent and Blacks, 13 percent.

Eric Nunez, president of the California Police Chiefs Association, said training requirements for California officers remain among the most rigorous in the nation.

"We want to continue to lead and raise the bar not only for our in-service personnel, but our entry-level recruits, as well," Nunez said. "It has become clear that the 685-hour police academy

mandated training required by the Peace Officers Standards and Training Commission (POST) is not sufficient." Kim Bojorquez, The Sacramento Bee, February 12, 2021.

## **7. KENTUCKY'S PENSION FUNDING METHOD MUST BE FIXED TO STOP 'DEATH SPIRAL':**

By statute, the Kentucky Employees Retirement System Non Hazardous Pension Plan determines what participating employers must contribute to the plan each year based on their payroll. Currently, the contribution rate is 84%. That means that for every \$1 they pay as compensation to their employees they have to contribute 84 cents to the KERS-NH plan. For many participating employers that is unsustainable.

Understandably, many of these employers are reducing their payrolls and denying future state retirement credits to their former employees in order to reduce their pension contributions. In fact, between the fiscal years 2010 and 2020, the number of employees in the KERS-NH plan declined from 47,090 to 31,703.

But reducing employees and payroll does not reduce their current pension liability. Unfortunately though the other employers who maintained their staffing have had to pick up that obligation by paying an even higher rate of contribution. Between fiscal years 2010 and 2021, contribution rates as a percent of payroll went from 31% to 84%.

As contribution rates go higher, participating employers are further incited to cut their payrolls, causing rates to go even higher, encouraging even more staffing cuts. We call this the never-ending "contribution death spiral."

Employers in the KERS-NH plan are comprised of state agencies with state employees and non-state agencies such as regional

universities, health departments and other essential services called quasi agencies. It is the quasi agencies that have primarily been the employers reducing their payrolls. As a result, the state agencies have borne the brunt of the rising pension contribution rates. In effect, it is the taxpayers who are on the hook for these rising costs.

This avoidance of liability is perfectly legal under current statutes. But there is a critical need for legislation allowing Kentucky Retirement Systems to adopt the Fixed Allocation Funding method for the KERS-NH plan. [House Bill 8](#) would require each participating employer to pay off their own unfunded pension liability over up to 29 years regardless of how much they cut their payrolls. We need to stop letting these non-state agencies shift the pension burden to the state and thus to our taxpayers.

HB 8 requires that the total unfunded liability of the KERS-NH plan, or about \$14 billion, be apportioned to each of the participating employers according to the liability assigned to their active and retired employees. It is the equitable method of paying off this large pension liability. But the unmanageable burden on some of these quasi agencies needs to be addressed as well.

Previous steps have been taken to restore all five of the [Kentucky Retirement Systems'](#) retirement plans to financial stability. The legislature established a cash hybrid plan for new hires after 2013 and required the full actuarially required contribution be paid each year. The KRS board established assumptions in line with experience and realistic expectations leading to higher contributions and thus improved funding statuses.

HB 8 will be the fourth and hopefully final major step to making KRS financially healthy again. David L. Eager, Opinion

contributor, *Courier Journal*, [www.courier-journal.com](http://www.courier-journal.com), February 11, 2021.

**8. SOCIAL SECURITY MATTERS: ASK RUSTY – HOW WILL MY WIFE’S BENEFITS BE AFFECTED BY MY STATE PENSION:**

*Dear Rusty:* I am 73 and receive a pension from my state’s Police and Fire Pension Fund. I took a full pension, so my wife only gets a widow’s pension when I die, and this is only a fraction of what my full pension is. I also get a small Social Security benefit, about \$95 a month, and that amount is pro-rated because of the amount of my state pension. My wife is 71 and receives a Social Security benefit of about \$600 a month. When I die, can she get a portion of my Social Security benefit? And will it increase since she will not be getting my full state pension? *Signed: Retired Public Servant*

*Dear Retired:* The state you live in is one of 26 which have opted for many state employees to not participate in the Federal Social Security program. As a result, your Social Security benefit, earned from work outside of your state employment, is reduced by your state pension. The details of your state pension and what portion of that pension your wife will receive as your widow isn’t what affects your, or your wife’s Social Security benefit amount. Rather, the base amount of your current state pension is what affects your benefit, due to a rule known as the Windfall Elimination Provision (WEP).

WEP is why your Social Security (SS) benefit is only \$95/month. WEP applies to your personal Social Security retirement benefit (earned from working outside of your state employment) and reduces your Social Security benefit due to your state pension, because neither you nor your state employer paid SS FICA taxes

on your earnings. And since your personal SS retirement benefit is reduced by WEP, your wife's spousal benefit (not her widow's benefit) from you would also be reduced, although from the numbers you shared your wife isn't entitled to a spousal benefit.

Your wife's own SS retirement benefit from her own work record is not affected by WEP because WEP applies to your benefits only. And neither will your wife's SS survivor benefit as your widow be affected by your state pension, should you predecease her. If you die first, your wife will be eligible to collect, as her survivor benefit, 100% of the amount you were entitled to before your WEP reduction, if that amount is greater than the SS benefit, she is entitled to on her own work record. And that would, again, be totally independent of whatever she receives from your State pension. In other words, your wife's Social Security benefit – her own SS benefit or her survivor benefit – will not be at all affected by your state pension. The Coastland *Times*, [www.thecoastlandtimes.com](http://www.thecoastlandtimes.com), February 15, 2021.

## **9. HOW TO RETIRE EARLY, ON YOUR TERMS:**

Early retirement holds great appeal for many small-business owners and corporate executives in their 50s and early 60s. These generally are folks who have worked very hard and sacrificed many hours of personal time to accomplish their goals. They want to retire while they still are healthy enough to enjoy it.

If you are looking to retire early, it's important to set yourself up for success by planning ahead. The first step is to define your vision of this next stage of your life. Are you looking for complete freedom to walk on the beach and play golf every day? Or do you envision setting up a small business or becoming a consultant in

your field?

Successful retirement means you have the financial freedom to choose whether to stay busy or not. But you need to put in place a financial plan now that will finance those choices.

Here's an example of thinking outside the retirement box: A couple who are clients of mine had a dream to travel to all 50 states. They had designed a product they wanted to sell after retirement, so they began delivering the product to customers as part of their journey, saving shipping costs and meeting customers in person.

Here are some further steps to help you prepare to retire early:

**Match your finances to your vision.** Once you have thought about the life you want to have as a retiree, think out the financial implications. Do you plan to relocate? Compare property taxes, heating bills and other expenses to figure out how much you'll save, or spend, as a result of the move. Go through your credit card statements and checking account for the past year and note all expenses you expect to continue in retirement. Then consider hobbies: How much will you spend on things you plan to do? Don't buy a boat without knowing the maintenance costs!

**Maximize current income and investment.** Live below your means so you can save more and invest more today. Increase your income with a side gig or other means. Max out your retirement accounts. Have a financial planner help you craft a tailored investment portfolio.

**Take health insurance costs into account.** You can't enroll in Medicare until you're 65, so you need a plan to pay your health insurance costs before then. You can enroll in your spouse's

employer-sponsored plan, buy coverage through the Affordable Care Act marketplace, join a cost-sharing plan, or take a part-time job that pays health benefits.

**Avoid “rules of thumb.”** For one example, take the idea that you need to replace 80 percent of your annual income in retirement. Many high earners will never spend that amount, and those with fewer resources may need more. They may face rising health care costs, rising taxes and inflation, and life changes such as adult children who need financial help.

Early retirement is feasible, but you have to get on top of things early. Consider hiring a financial planner who works with business owners and corporate executives. You typically only retire one time, so you want to get it right. Eric Tashlein, New Haven *Register*, [www.nhregister.com](http://www.nhregister.com), February 12, 2021.

## **10. CORONAVIRUS RELIEF CONTINUES FOR HOUSING AND STUDENT LOANS:**

As the Coronavirus pandemic continues, so does its financial impact. For people who need [help with rent or mortgage payments](#), or have student loans, there may be some good news about the federal relief response.

**Renters** -- The temporary stop on evictions for [certain renters](#) now runs through **March 31, 2021**. The [Centers for Disease Control and Prevention](#) has information on who is eligible and the steps to take.

**Homeowners** -- If you're struggling to make your federally backed mortgage payments because of the pandemic, [payment forbearance may still be available](#), and the [pause on foreclosures](#) runs through at least **March 31, 2021**. The [Federal](#)

Housing Finance Agency tells you how to find out if your mortgage is federally backed. Contact your mortgage servicer to find out what other help is available to you.

**Student Loan Borrowers** -- For those federal student loans that are covered, the U.S. Department of Education has automatically paused payments through **September 30, 2021**.

Remember that scammers are paying attention to this news and may try to take advantage of you. Here are some ways to protect yourself:

- Don't pay to get these benefits. Be wary of anyone who contacts you to offer financial services or rental assistance for a fee. If you need housing assistance, the Department of Housing and Urban Development has a list of approved housing counseling agencies organized by state or territory.
- Don't give your personal or financial information to anyone who contacts you. Even if you reached out for assistance, make sure you know who you are talking to. And know that government officials will never contact you and ask for your Social Security, bank account, or credit card number. If you've given that information to someone you don't know, visit IdentityTheft.gov to learn what to do.
- Keep up with the latest scams by subscribing to Consumer Alerts from the FTC.

If you spot a scam, please report it to the Federal Trade Commission at ReportFraud.ftc.gov. Emily Wu, Attorney, Federal Trade Commission, www.ftc.gov, February 16, 2021.

## **11. TAXPAYERS SHOULD BEWARE OF GHOST PREPARERS:**

As people begin to file their 2020 tax returns, taxpayers are reminded to avoid unethical ghost tax return preparers.

A ghost preparer is someone who doesn't sign tax returns they prepare. Unscrupulous ghost preparers often print the return and have the taxpayer to sign and mail it to the IRS. For e-filed returns, the ghost will prepare but refuse to digitally sign as the paid preparer.

By law, anyone who is paid to prepare or assists in preparing federal tax returns must have a valid Preparer Tax Identification Number (PTIN). Paid preparers must sign and include their PTIN on the return. Not signing a return is a red flag that the paid preparer may be looking to make a quick profit by promising a big refund or charging fees based on the size of the refund.

Ghost tax return preparers may also:

- Require payment in cash only and not provide a receipt.
- Invent income to qualify their clients for tax credits.
- Claim fake deductions to boost the size of the refund.
- Direct refunds into their bank account, not the taxpayer's account.

It's important for taxpayers to choose their tax return preparer wisely. The Choosing a Tax Professional page on IRS.gov has information about tax preparer credentials and qualifications. The IRS Directory of Federal Tax Return Preparers with Credentials and Select Qualifications can help identify many preparers by type of credential or qualification.

No matter who prepares their return, taxpayers should review it carefully and ask questions about anything that's not clear before signing. They should verify their routing and bank account

number on the completed tax return for any direct deposit refund. Taxpayers should watch out for ghost preparers putting their bank account information on the returns.

Taxpayers can report preparer misconduct to using IRS Form 14157, Complaint: Tax Return Preparer PDF. If a taxpayer suspects a preparer filed or changed their tax return without their consent, they should file Form 14157-A, Tax Return Preparer Fraud or Misconduct Affidavit PDF. IRS Tax Tip 2021-20, [www.irs.gov](http://www.irs.gov), February 17, 2021.

## **12. AS REQUIRED BY LAW, ALL FIRST AND SECOND ECONOMIC IMPACT PAYMENTS ISSUED; ELIGIBLE PEOPLE CAN CLAIM RECOVERY REBATE CREDIT:**

The IRS announced that, as required by law, all legally permitted first and second round of Economic Impact Payments have been issued and the IRS now turns its full attention to the 2021 filing season.

Beginning in April 2020, the IRS and Treasury Department began delivering the first round of Economic Impact Payments within two weeks of the legislation. The IRS issued more than 160 million EIPs to taxpayers across the country totaling over \$270 billion, while simultaneously managing an extended filing season. In addition, since Congress enacted the COVID-related Tax Relief Act of 2020, the IRS has delivered more than 147 million EIPs in the second-round totaling over \$142 billion.

The legislation required that the second round of payments be issued by Jan. 15, 2021. While some second round Economic Impact Payments may still be in the mail, the IRS has issued all first and second Economic Impact Payments it is legally permitted

to issue, based on information on file for eligible people.

Get My Payment was last updated on Jan. 29, 2021, to reflect the final payments and will not update again for first or second Economic Impact Payments.

Most people who are eligible for the [Recovery Rebate Credit](#) have already received it, in advance, in these two rounds of Economic Impact Payments. If individuals didn't receive a payment – or if they didn't receive the full amounts – they may be eligible to claim the [Recovery Rebate Credit](#) and must file a 2020 tax return.

Eligibility for and the amount of the Recovery Rebate Credit are based on 2020 tax year information while the Economic Impact Payments were based on 2019 tax year information. For the first Economic Impact Payment, a 2018 return may have been used if the 2019 was not filed or processed.

Individuals will need to know the amounts of any Economic Impact Payments they received to claim the Recovery Rebate Credit. Those who don't have their Economic Impact Payment notices can view the amounts of their first and second Economic Impact Payments through their individual [online account](#). For married filing joint individuals, each spouse will need to log into their own account.

To avoid refund delays, the IRS urges people to file a complete and accurate tax return. Filing electronically allows tax software to figure credits and deductions, including the Recovery Rebate Credit. The Recovery Rebate Credit Worksheet on [Form 1040 and Form 1040-SR instructions](#) can also help.

Anyone with income of \$72,000 or less, including those who don't have a tax return filing requirement, can file their federal tax return electronically for free through the IRS [Free File Program](#).

The fastest way to get a tax refund is to file electronically and have it direct deposited - contactless and free - into the individual's financial account. Bank accounts, many prepaid debit cards and several mobile apps can be used for direct deposit when you provide a routing and account number.

IRS.gov/filing has details about IRS Free File, Free File Fillable Forms, free VITA or TCE tax preparation sites in your community or finding a trusted tax professional. IRS Tax Tip, 2021-20, www.irs.gov, February 17, 2021.

**13. FOR THOSE WHO LOVE WORDS:**

What Is So Romantic About The Romance Languages? Find out here.

**14. A THOUGHT FOR TODAY:**

“The Pessimist Sees Difficulty In Every Opportunity. The Optimist Sees Opportunity In Every Difficulty.” – Winston Churchill

**15. TODAY IN HISTORY:**

On this day in 1930, US astronomer Clyde Tombaugh discovers Pluto.

**16. REMEMBER, YOU CAN NEVER OUTLIVE YOUR DEFINED RETIREMENT BENEFIT.**