



LPL Cares About **SMALL BUSINESS**

Helping you navigate the CARES Act





Small businesses had been experiencing the benefits of a bull market—consumers were spending and balance sheets were flourishing. Then, life changed as we knew it, as the global pandemic of COVID-19 spread across America. Statewide lockdowns required booming businesses to change course, unemployment numbers soared, and economic uncertainty became the new commonplace.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was recently signed into law to assist businesses and steer the economy in the right direction. The CARES Act, the largest stimulus package in history, was specifically designed with your small business in mind, providing you with payroll protection and other support for rent, mortgages, and various business costs.

We know that navigating your way through government paperwork and policies can make a frustrating situation even worse. That's why we've created our LPL Cares Small Business Guide.

LPL cares about small businesses, and we hope that this guide will provide you and your clients with reliable resources in uncertain times.

As a leading provider of support to more than 16,000 financial professionals and nearly 800 financial institutions, who collectively serve more than 5 million American investors, LPL is committed to providing our clients with the information, resources, and leadership to empower you to effectively navigate these uncharted waters on behalf of your businesses, their clients, and their communities.

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LEADERSHIP TIPS: RESILIENCY UNDER PRESSURE

While we are in abnormal times, it is important to remember some leadership fundamentals. First and foremost, know that you are only able to serve others if you serve you and your business' needs first. While harder than ever, hold onto the routines you can maintain—wake up at the same time, separate your personal and professional life, and engage in activities you enjoy, such as exercise, family game night, etc. These little pieces of normalcy will allow you to continue to accomplish your business objectives and your clients' goals.

When you begin communication with clients, understand that we're all in the same boat. You're both taking conference calls while kids run around the house. You're both uncertain about what tomorrow may look like. But you both need each other now more than ever—so over-communicate, leverage technology, and remember that we're all humans and in this together.

All of these changes mean you'll need to adjust how you manage your business. Here are some recommendations for you to consider:

ADJUST HOW YOU MANAGE YOUR BUSINESS COMMUNICATIONS

- Update technology and communication devices—change voicemail, update email responses, and update your website with information on office closures.
- Use remote office solutions to keep data safe and secure.
- Continue meeting with your clients by phone or video conference.
- Don't worry about over-appreciation or communication.

PREPARE TO MANAGE YOUR TEAM VIRTUALLY, POTENTIALLY FOR THE LONG HAUL

- Don't rely on just email—pick up the phone, use a video platform, and check-in via text using an approved tool.
- Maintain weekly meetings, add more check-ins, and clearly assign accountabilities and timelines for projects.
- Give space to your employees to integrate potential family conflicts. The hours of their workday may look different. The productivity week-to-week may vary.
- Get creative with virtual hangouts, happy hours, or even lunches.
- Consider that they may be uneasy about the job security, and when possible, provide assurance and show appreciation.
- As a strong leader, be deliberate, visible, and honest as authenticity goes a long way.
- Finally, remember: We're all learning as we go, and that's okay.



PROACTIVELY TAKE CARE OF YOUR BUSINESS

- Set a baseline and gain an understanding of your year-over-year financial picture from a cash flow perspective.
- Understand the stress your business can handle in different market environments.
- Review and understand your expense structure. Distinguish between discretionary and core expenses to prioritize your expense accounts.
- Create cash reserves and a contingency plan you can execute.
- Work to have three months of operating costs saved that you can utilize in down markets.
- Review and utilize resources available to you, such as information on the Small Business Administration site, local lenders, etc.



[Click here to read more tips on keeping your business afloat.](#)



CARES ACT OVERVIEW

INDIVIDUAL ASSISTANCE

By now, you have likely heard about the stimulus checks U.S. residents will receive. Here is a quick breakdown of who can expect a stimulus check:

- U.S. residents with adjusted gross income up to \$75,000 (\$150,000 if married) are eligible for the full \$1,200 (\$2,400 if married). An additional \$500 will be granted per child.
- The rebate is reduced by \$5 for each \$100 that a taxpayer's income exceeds the phase-out threshold.
- Incomes exceeding \$99,000 for single filers, \$146,500 for head of households with one child, and \$198,000 joint filers with no children are not eligible.

Recipients don't need to do anything—the majority of payments will be sent via direct deposits soon. Those without access to direct deposit will receive a mailed check in the upcoming weeks. If direct deposit account information hasn't been provided, the IRS set up a portal to collect it to accelerate payment. More information can be found [here](#).

RETIREMENT ASSISTANCE

The CARES Act provides tax relief for retirement plan and IRA “coronavirus-related distributions” as determined by the plan administrator taken by individuals who have been affected by the coronavirus pandemic throughout 2020. For any such distribution, the proposal:

- Permits in-service distributions, even if such amounts are not otherwise distributable from the plan under the Internal Revenue Code.
- Provides an exception to the 10% early distribution penalty.
- Exempts the distribution from the 402(f) requirements and mandatory 20% withholding applicable to eligible rollover distributions.
- Permits the individual to include income attributable to the distribution over the three-year period, beginning with the year the distribution would otherwise be taxable.
- Permits recontribution of the distribution to a plan or IRA within three years, in which case the recontribution is generally treated as a direct trustee-to-trustee transfer within 60 days of the distribution.

The CARES Act also increases the maximum amount of plan loans available to qualified individuals from \$50,000 to \$100,000. The same individuals who qualify for a coronavirus-related distribution are also able to take a loan from their retirement plan.

This increased loan amount is available for loans made during the 180-day period beginning on March 27, 2020. The CARES Act extend the due date of any qualified individual's loan repayment that would otherwise be due during 2020 (but on or after the date of enactment) to one year after the otherwise applicable due date.



REQUIRED MINIMUM DISTRIBUTIONS (RMDs)

RMDs for 2020 are waived for 2020 for all types of Defined Contributions plans (including 401(k), 403(b), and governmental 457(b) plans) and IRAs and inherited IRAs. This also applies to RMDs due in 2020, but attributable to 2019.

It is a true waiver. The client does not need to make up the distribution next year.

It is important to note that there is no language in the CARES Act stipulating that if someone already took their RMD, they can put the money back, similar to a 60-day rollover. On April 9, the IRS issued Notice 2020-23, indirectly providing limited relief by allowing an extension of the 60-day rollover period. Any distribution (including unwanted RMDs) taken between February 1, 2020, and May 15, 2020, can still be rolled over if done by July 15, 2020.

In 2009, the last time there was RMD relief, the IRS allowed RMDs made to be rolled back. We cannot assure you that the IRS will do that again, but the case for this relief is much stronger this time than in 2009, so we would be surprised if this were not allowed. If this is not allowed, individuals eligible for a coronavirus distribution, who received such a distribution in 2020, can roll it back—up to \$100,000.



PAYCHECK PROTECTION PROGRAM + YOUR BUSINESS

The CARES Act created the Paycheck Protection Program (PPP). The purpose of the PPP is to enable small businesses to keep their employees on payroll by providing forgivable loans to pay for payroll-related expenses. It is administered by the Small Business Administration and is intended to help keep small businesses, who are experiencing hardship due to COVID-19, afloat during these difficult times.

Below we've provided a summary of the PPP and next steps as you determine if it is right for you. We also recommend speaking with your CPA or tax attorney before proceeding with a loan.

QUICK FACTS ON THE PAYCHECK PROTECTION PROGRAM

1% Interest Rate

- The loan will have a 1% interest rate (fixed) for a maturity of two years.
- All payments will be deferred for six months.
- No prepayment penalties or fees.
- No collateral, personal guarantee or "credit elsewhere" proof is needed.

2.5x Payroll

- The amount is 2.5x your monthly payroll expenses up to \$10 million.
- Calculated based off of your monthly average over the trailing 12 months or the 2019 – 2020 calendar year.
- Payroll expenses include:
 - Salary, commissions, wages, or tips (capped at \$100,000 for each employee, "annual salary of \$100,000 applies only to cash contribution, not to cash-benefits, such as employer contributions to retirement plans, healthcare, and state and local taxes)
 - Employee benefits, including vacation, parental, family or medical paid leave
 - Group health costs, including premiums
 - State and local taxes assessed on employee compensation
- Payroll expenses do not include:
 - Employee cash compensation in excess of \$100,000
 - Payroll and income taxes
 - Employees whose primary residence is not the U.S.
 - Qualified sick leave under Section 7001 and 7003



Fully Forgiven

- The loan will be fully forgiven if at least 75% of the loan is used on payroll expenses.
- You must have the same number of employees earning the same salary as February 15, 2020 when applying for forgiveness.
- There is the possibility that the full amount won't be forgiven, and the forgiven amount will decrease based on the following calculations:
 - Decrease in employee headcount = proportional reduction in wage forgiveness
 - Wage reduction > 25% for any employee making < \$100k
- You must apply for the loan to be forgiven after an eight-week period of time. This eight-week period begins on the date of the first payment to the lender. The lender then has 10 days to begin disbursements.
- Loan forgiveness ultimately is determined by your lender, so please ensure that you keep meticulous records and that you maintain headcount.

GETTING STARTED WITH THE PAYCHECK PROTECTION PROGRAM

1) Determine if your small business is eligible for the Paycheck Protection Plan

- Does your business have less than 500 employees?
- Were you in operation prior to February 15, 2020?
- Will the loan be used for ongoing operations?
NOTE: For full forgiveness, at least 75% of forgiven amount must be used for payroll related costs
- Will it be used to retain workers or make rent payments?
- Do you not have any other paycheck protection loan applications pending?

If you checked ALL of these boxes, you are likely eligible for the Paycheck Protection Plan.

2) Begin the application process

- Consult with your tax advisor or attorney to make sure this is the best choice for your business.
- Then, contact your local lender and ask them for a list of required documents, as well as the application. Examples include:
 - 2019 Payroll information: IRS form 940, 941, 944 or W-3, 1099, health insurance, state and local taxes, retirement plan contributions
 - Corporate government documents: articles of incorporation, operating agreement
- Calculate your payroll costs and begin filling out the application.
 - U.S. Chamber of Commerce guidelines: Total payroll expenses + mortgage interest + rent on a current lease + utilities over the eight weeks since origination date of loan is the amount eligible for forgiveness
- Collect any other supporting documents according to list of required documents, including 2019 payroll info, corporate government documents, and proof of mortgage interest/rent, and utilities.
- Submit to your local lender.



3) Follow LPL's best practices

- Confirm with your banker when their portal will be ready for submission.
- Double check your documents, calculations, and when in doubt, ask. Ask your trusted partners, CFOs, consultants and CPAs. Don't inflate or overstate—errors may result in delays.
- Ask your lender for a turnaround time, prepare to re-hire or reinstate wages by June 30, and be mindful of the forgiveness reduction restrictions.
- Prepare for future forgiveness by collecting proof of payroll, mortgage, rent, and utilities.
- Remember to apply for forgiveness through your lender in eight weeks.



Other CARES Act Programs for Your Small Business

Emergency Injury Disaster Loan (EIDL) Program

- This is a small business loan for up to \$2M that can be used for expenses incurred due to the COVID-19 pandemic. The CARES Act created a new, forgivable advance for EIDL loans of \$1,000 per employee, up to \$10,000. All states meet the disaster qualification.
- You can apply directly on the SBA's site.

Small Business Debt Relief Program

- To provide six months of relief, SBA will cover all loan payments (principal, interest, and fees).



For more information,
[download LPL Financial's
CARES Act Highlights.](#)



SMALL BUSINESS LOANS AND VENDORS

Potential SBA Partnerships for You

After determining you'd like to apply for the Paycheck Protection Program, you'll next need to consult with your attorney or accountant, and then reach out to an SBA-approved lender for more information.



SBA Loan Resources

If your current bank isn't an SBA-approved lender, we recommend using the below resources to help you determine which SBA lender is best for you:

- [The SBA's 100 Most Active 7\(a\) Lenders](#)
- [The SBA also offers a link to find lenders based on your zip code:](#) SBA has a search on their site to search for PPP approved lenders by zip code.
- [Participating LPL partner banks and credit unions](#)
- [Live Oak Bank:](#) LPL Advisors who are existing clients will be able to receive assistance. There is also an online waitlist for non-clients.
- [SkyView Partners:](#) Previously they have provided support to LPL advisors and may have capacity with their partner banks now.

PAYCHECK PROTECTION PROGRAM LOAN CALCULATOR

The next step will be determining how much you're eligible to borrow with the Paycheck Protection Program. You'll need to be prepared to include payroll items, including salaries, benefits, separation allowance, healthcare, retirement payments, and state/local tax on employee compensation. You also need to prepare information on payroll items; you'll need to exclude employee cash-only compensation over \$100,000, payroll and income taxes, employees who reside outside of the U.S., and qualified sick leave under 7001 and 7001.

[The SBA has prepared a Paycheck Protection Calculator.](#)

Please use this calculator as a guide, but verify all amounts with legal counsel, accountants, and the bank's loan officer.

Information and interactive calculators are made available to you as self-help tools for your independent use and are not intended to provide investment advice. We cannot and do not guarantee their applicability or accuracy in regards to your individual circumstances. All examples are hypothetical and are for illustrative purposes. We encourage you to seek personalized advice from qualified professionals regarding all personal finance issues.



SMALL BUSINESSES RELY ON YOUR SMALL BUSINESS

Your clients rely on your expertise always, but particularly now. Many of the same CARES Act benefits can also be applied to your clients.

The below materials are designed to help you create your own Small Business Guide with your practice.

Create your own Small Business Guide (click to download each resource)

- [CARES Act Overview](#)
- [CARES Act Client PowerPoint Presentation](#)
- [Paycheck Protection Program Guide](#)
- [CARES Act Template Letter or Email](#)



Learn more from LPL's Leadership

- [Click here to listen to LPL Share-Cast on the CARES Act Paycheck Protection Program.](#)
- [Watch a webinar of the CARES Act's key components featuring Managing Director Matt Enyedi and Nicole Petrosino, SVP of Government Relations.](#)



ADDITIONAL WAYS LPL CAN HELP

LPL BUSINESS SOLUTIONS

It is likely that your business day is longer than ever. You're balancing personal changes, increased client demands, and the pressures of running a small business and the role you play in helping Americans is more vital than ever. You are taking care of them and their dreams, while also taking care of your business and your team.

As you move through this changing landscape, you may be spending a little more time thinking about the overall health and operations of your business. As you have to work differently to serve your clients, the efficiency and strength of your business is more important than ever. We'd like to help.

LPL Business Solutions offers hands-on, dedicated specialists to help streamline your business for efficiency and create capacity in your day. Our experts provide know-how, processes, plans, and measurable results to optimize and protect your practice.

LPL Business Solutions may be able to support you with specific needs in your practice. Whether you're looking for administrative assistance, digital marketing, office technology, or business operations support, LPL Business Solutions can partner with you so you can focus on your clients during the COVID-19 pandemic.

Available services:

- Administration Solutions
- Marketing Solutions
- CFO Solutions
- Technology Solutions

For more information, visit [LPLBusinessSolutions.com](https://www.lpl.com/LPLBusinessSolutions.com).

“Everything that LPL is doing for us during this challenging time and the resources they are providing make me grateful to be part of the largest broker/dealer with access to Marketing Solutions.”

— Tom Ammons,
Affinity Advantage Financial
Solutions, Middletown, NY



WE'RE HERE FOR YOU

During these unprecedented time, we are ready to help.

- Do you have any questions about the CARES Act?
- Do you need additional help beyond these tools and resources?
- What other information could you help you?

We value your opinion and want to hear from you.

- Contact us: CARESAct@lpl.com
- Visit: www.LPLCaresAct.com or www.sba.gov

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This information is not intended to be a substitute for specific individualized legal or tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

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