

# Staying Financially Afloat Through COVID-19

April 2020 | Research Report



*For Dentists and Specialists asking, "How will I be able to stay afloat financially?" Here are some a few resources to consider, depending on your individual circumstances.*

## 1. Seek Funding through Grants and Loans

- **Apply for an Economic Injury Disaster Loan (EIDL).**

On a first come, first serve basis, these loans can provide funds up to \$2,000,000. The Small Business Association (SBA) will grant an advance of up to \$10,000 within three days of applying, which does not need to be repaid. There are no upfront fees or early payment penalties and the repayment term will be determined by your ability to repay. The application may take 2-3 hours to complete but is likely well worth your time. For more information, please visit the [website](#) or contact them by phone: 1-800-659-2955 or email: [DisasterCustomerService@sba.gov](mailto:DisasterCustomerService@sba.gov). Fill out an application [here](#).

- **Apply for the Paycheck Protection Program (PPP) Loan (a new SBA Section 7a Loan).**

As an incentive to keep employees on payroll or quickly rehire them, the SBA is providing new [PPP loans \(Summary\)](#). Available through June 30, 2020, the SBA may forgive loans for expenses including payroll, rent, mortgage interest, or utilities for employers maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if the number of full-time employees decline, or if salaries and wages decrease. The loan may be forgiven if at least 75% of the funds are used for payroll costs in accordance with SBA guidelines. No collateral guarantee is required, and payments can be deferred for six months. To apply, speak with your banker (must be an SBA preferred lender) and here's a sample [form](#) for the information you will need.

- **If you have a 401(k) Retirement Plan, consider a 401(k) Loan.**

The amount that you can take as a loan from your 401(k) has temporarily increased to 100% of your balance up to \$100,000 in 2020. This will need to be paid back in monthly payments over 5 years, however, the interest is paid back to yourself. The interest rate is set by your retirement plan administration firm and trustee, but it is usually prime rate (currently 3.25%) and possibly 1% to 2% higher. For example, a \$100,000 401(k) loan with an interest rate of 5.25% would require a monthly payment of \$1,898.60. Contact [Financial Freedom for Dentists LLC](#) or your retirement plan administration firm for more information.

- **If you practice in Washington State as a Delta Dental Provider, consider applying for a grant or advance through Delta Dental of Washington (DDWA).**

Now through April 15, 2020, DDWA is offering an advance of up to \$25,000 or a grant of up to \$15,000 for member dentists. The Reimbursement Advance Program (RAP) will provide base-level practice cashflow support to help cover the on-going costs of a practice and the Dental Practice Assistance Fund (PAF) will assist independent dental practices in Washington state that have been significantly affected by the COVID-19 outbreak and do not have a sufficiently strong financial position to reasonably sustain the practice through the recommended closure. The links to apply are [here](#).

## 2. Defer Debt Payments

- **Ask your bank to defer your business loan payments until you can practice.**  
Some banks are deferring payments of business loans. You will likely be able to defer any SBA loan payments for up to 6 months penalty free. For any conventional loans you have, it doesn't hurt to ask your banker to defer your payments by emailing your banker with the subject line "payment relief." If you are practicing in Washington or Oregon, please let them know that you are prohibited from seeing patients, except for emergencies, by order of the governor. Contact your banker for more details.
- **Defer your home mortgage.**  
If your mortgage is backed by the federal programs of Fannie Mae or Freddie Mac, and you are experiencing an economic hardship, you can request deferment of your mortgage payments for up to six months. Contact your mortgage company for details.
- **Defer your student loan payments.**  
If you have a [\*federally backed student loan\*](#), you can request that your loans not accrue interest and ask for a payment deferment through September 30th. Contact your lender for more details.

## 3. Defer Other Payments & Consider Minimizing Retirement Plan Contributions

- **If you have a 401(k) Profit-Sharing Plan, consider not making a Profit-Sharing Plan Contribution (if the plan document allows) or deferring your contribution.**  
Depending on your business entity type, you may be able to defer your profit-sharing plan contribution and/or extend your tax return to delay the contribution. Contact your retirement plan administrator for additional questions.
- **If you have a SIMPLE IRA, defer your matching contribution.**  
Depending on your business entity type, you may be able to defer your SIMPLE IRA matching contribution and/or extend your tax return to delay the contribution. Contact Financial Freedom for Dentists LLC for additional questions.
- **Defer your Income Tax payments.**  
You may have until July 15th to submit your 2019 tax return and payment. You may also be able to defer your quarterly estimated tax payment from April 15<sup>th</sup> to July 15<sup>th</sup>. In addition, you may be able to apply for an extension. Contact your accountant for details.

## 4. Consider Other Funding Sources & Rebates

- **Consider a Tax-Free IRA or Retirement Plan withdrawal.**

During 2020, you can withdraw up to \$100,000 from your IRA or retirement plan without penalty regardless of age, assuming you have been financially impacted by COVID-19. If that amount is paid back within three years, taxes are not due on this distribution. Please contact Financial Freedom for Dentists LLC for additional information.

- **For your Staff who may be laid off, emergency unemployment compensation is available.**

Once you stop your payroll, your employees can apply for unemployment compensation backed right now for four months by the federal government. Check your state sites here for more information.

Information by State
<ul style="list-style-type: none"><li>• <a href="#">Washington</a></li><li>• <a href="#">Oregon</a></li><li>• <a href="#">Idaho</a></li><li>• <a href="#">Montana</a></li></ul>



- **Receive Payroll Tax Credits.**

The IRS will immediately and fully reimburse dollar-for-dollar the cost of providing Coronavirus-related leave to your employees (either for the employee's own health needs or to care for family members). If any of your employees require emergency paid sick leave during COVID-19, you can receive a tax credit to cover the wages you paid them. This credit covers 80 hours of paid sick leave for full-time employees, or the average number of hours worked over a two-week period for part-time employees. More information is [here](#). For the process to receive an advance payment of the credit and other rebates, the IRS site says it will be posted next week [here](#). Talk to your accountant to apply.

- **Please be aware of IRS Phishing Schemes.**

The IRS will never call or email you and already has a record of your account numbers.

## Your Financial Plan: “Failure is not an option”

Your current challenges of decreased income, staff dependent on the financial viability of your practice, stock market volatility, mounting costs, and the uncertainty of when you will be allowed to open your practice may seem insurmountable. However, much like the crew and mission control improvised and innovated solutions to bring the Apollo 13 capsule and crew home, we hope some of these ideas can help you through these challenging times.

Two days into the moon landing mission of Apollo 13, an oxygen tank failed. Without oxygen for breathing and generating electric power, propulsion and life support systems could not operate. Many of you may have seen in the movie Apollo 13 how Mission Control grapples with the improvising new procedures and systems to keep the astronauts alive and bring them home. Amid the seemingly impossible situation, Gene Kranz declares, “Failure is not an option.” Millions watched as the capsule safely and successfully splashed down in the South Pacific Ocean.

Your resilience through today's difficulties and our combined persistence in adapting to new realities will see you through difficult time, and please remember, “Failure is not an option.” If you are a client of [Financial Freedom for Dentists LLC](#), we will adjust your financial plan and review it with you during our next meeting. Please don't hesitate to reach out to us with your financial planning concerns and questions.