CPA Practice Advisor

work, Americans have experienced the biggest drop in their personal financial satisfaction in more than a decade.

Apr. 24, 2020

As the COVID-19 pandemic has strained the U.S. economy and put millions out of work, Americans have experienced the biggest drop in their personal financial satisfaction in more than a decade. The AICPA's Q1 2020 Personal Financial Satisfaction index (*PFSi*) measures 32.9, a 20 percent (8.29 point) decrease from the previous quarter. This is the largest quarterly drop the *PFSi* has experienced since the Great Recession (Q4 2009).

Stock Market Decline Drives Drop

The most notable factor driving the quarter-over-quarter *PFSi* decline was the PFS

"We're hearing from CPA financial planners across the country that now more than ever their clients are relying on their guidance to navigate these extraordinary times," said Andrea Millar, CPA/PFS, Association of International Certified Professional Accountants Director of Financial Planning. "From giving clients peace of mind that principles of financial planning haven't changed, to proactive planning with tax-efficient portfolio moves, and small business loans, CPAs have been working tirelessly to secure their clients financial future and to help them realize their life goals."

Unemployment & Income Disruptions

The *PFSi* is a quarterly economic gauge that measures the personal financial standing of a typical American. It serves as an indicator. The Q1 calculation utilizes economic data that was largely measured before the COVID-19 pandemic began to impact the U.S. economy. The 22 million Americans who have filed for unemployment benefits since mid-March and the increasing number of Americans who are struggling to come up with cash to pay for everyday items, rents, and mortgages will be reflected in the Q2 *PFSi*. **To help Americans navigate the COVID-19 financial storm, members of the AICPA Personal Financial Planning section share the following tips:**

- ***Tax Deadline Delays Mean More Time to Make 2019 Retirement Contributions***
  "The COVID-19 pandemic is first and foremost a public health crisis, and people's safety and wellbeing should be their primary concern. If you are able to pay your essential bills, and you have enough savings to sustain you through a potential job loss, consider contributing to your retirement. The extension of the federal tax filing and payment deadline to July 15, 2020 also extends the amount of time you have to make contributions to IRAs and HSAs for 2019." -Mark Astrinos, CPA/PFS, member of the AICPA PFS Credential Committee.

- ***Do Your Best to Hold Steady*** “In times of high stress, it can be easy to make money

“Coronavirus-fueled investment losses can help cut your taxes if you know how to work those losses. Review your investment portfolio to see what potential investments you can sell now to lock in the tax benefits. Even better, if you’d like to maintain exposure to that asset class, you can buy a similar investment and eventually buy back into that original investment after 30 days. Be sure to wait at least 30 days in order to avoid ‘wash sale’ rules which are in place to prevent taxpayers from deducting loses from trading substantially similar securities within 30 days of each other. This strategy is known as tax loss harvesting and can help to lower your potential tax hit.” – Michael Landsberg, CPA/PFS, member of the AICPA PFP Executive Committee

- ***Perfect Opportunity for Wealth Transfer Strategies*** “When making gifts to family members, either directly or into a trust, the goal is for the asset to appreciate and remove the appreciation from the donor’s estate. When transferring wealth, the market value of the property is considered the value of the gift. From a tax planning perspective, you want the value of a gift to be low when it is given. A depressed market provides lower gift value. The value of the gift is offset by the gift and estate tax exemption or it is subject to tax if the exemption is exhausted. As part of the Tax Cuts & Jobs Act, the exemption for gifts is temporarily doubled to $11.58m which makes now an even better time to consider this strategy.”-Lisa Featherngill, CPA/PFS member of the AICPA PFP Executive Committee

What Is the *PFSi* & How Is It Calculated? The *PFSi* is a quarterly economic gauge that measures the personal financial standing of a typical American. The index is calculated as the Personal Financial Pleasure Index (Pleasure Index) minus the Personal Financial Pain Index (Pain Index). These sub-indexes are each composed of four equally weighted proprietary and public economic factors which measure the growth of assets and opportunities in the case of the Pleasure Index, and the erosion of assets and opportunities in the case of the Pain Index. A positive reading of the

PFSi indicates that the average American should be feeling more financial pleasure

(NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.