

What Should You Do With Your Stimulus Check?

*This article is part of our series, **COVID-19 and Your Financial Health**, which addresses COVID-19 (Coronavirus), how it impacts your financial health, and tips to stay financially well during this pandemic.*

Recently, Congress passed and the President signed the largest economic stimulus bill in United States history—the CARES Act, which will provide about \$2 trillion aimed at fighting the economic impacts of COVID-19.¹ The goal of this bill is to soften the financial blow that millions of Americans are feeling from COVID-19. In particular, it is aimed at helping small businesses and their employees, many of whom have seen a serious decrease or complete stop to their income as states enforced orders for closing restaurants, limiting travel, and even “sheltering in place.” While all of these orders are done to save lives, they still have a devastating economic impact. In fact, over 10 million Americans filed jobless claims in March.²

What’s in the Stimulus Package?

\$2 trillion is an enormous amount of money, so what does this \$2 trillion package actually do for workers affected by COVID-19? One main feature of the package is that individuals can receive up to \$1,200, married couples can receive up to \$2,400, and an additional \$500 will be paid to parents for each qualifying child up to 16 years old. Here are the eligibility details according to the [IRS](#) :

- Tax filers with adjusted gross income up to \$75,000 for individuals and up to \$150,000 for married couples filing joint returns will receive the full payment.
- For filers with income above those amounts, the payment amount is reduced by \$5 for each \$100 above the \$75,000/\$150,000 thresholds.
- Single filers with income exceeding \$99,000 and \$198,000 for joint filers with no children are not eligible.
- Social Security recipients and railroad retirees who are otherwise not required to file a tax return are also eligible and will not be required to file a return.

It is important to note that there are additional requirements to receive these payments, such as not being claimed as a dependent by anyone else and having a valid Social Security Number. Additionally, it may take a few weeks to receive your payment and longer if you don’t have a bank account on file with the IRS.³ The Treasury Department is planning on creating a web portal to help people provide bank information to the IRS, but this is still ongoing. You can keep up to date on important information about the stimulus payments on the [IRS website](#) .

Best Ways to Use Your Payment

While some details may vary for you individually, in general, if you meet the above qualifications, you can expect a payment in the upcoming weeks. So, once you receive this payment, what should you do with it? Of course, the best way to spend your payment will be up to you and based on your specific financial and personal situation, but we can offer some considerations to think about as you decide your strategy.

Focus on the Essentials First

Your first financial priority should almost always be to take care of your basic needs. This may include expenses like food, rent, medical care, and essential utilities like water, cooling, and heat. Such expenses should be prioritized in any situation,

whether you are in financial difficulty due to COVID-19 or not, because not covering such expenses can put you and your family at risk.

One important thing to note is that, during this unprecedented pandemic of COVID-19, you may be able to get financial help with these basic expenses. Many financial institutions and even the government are offering financial relief in response to COVID-19, including the ability to delay certain payments. For example, you can apply to defer your mortgage payments for up to 12 months if your mortgage is federally-backed, including loans held with Fannie Mae or Freddie Mac.^{4,5} So, when looking for how to best use your stimulus payment, you may first want to see if there are options to defer some of your payments in the short term, so you can make your stimulus payment go farther for you and your family.

Save Up for the Next Few Months

Once you have taken care of your basic needs for the next few weeks, you might next consider how to take care of these same basic needs over the next few months. In particular, if your income has been reduced because of COVID-19, you may find yourself in financial stress again in a month or two. To help prevent this, you may decide to save any remaining amount left over from your stimulus payment to prepare for the upcoming months and establish an emergency fund for yourself until the COVID-19 pandemic passes.

Other Financial Obligations

If you have safely taken care of your short-term basic needs and have enough of an emergency fund to take care of these needs for the next few months of uncertainty, then you might be thinking of other ways to spend your stimulus check. Your next priority item might be to take care of other less essential financial obligations. This could include staying current on your credit card bills, car payments, etc. Basically, these are payments that you would want to make during "normal" times to keep your financial situation in a good state.

As mentioned earlier, many financial institutions and the government are offering financial relief in various areas, so it may be worth it to contact your lenders to see if you're able to defer payments or experience some other type of financial relief on your non-essential financial obligations without penalty. As an example, some credit card issuers and auto loan lenders have begun outlining payment or debt relief options for their customers in response to COVID-19. If these options are available to you, this can help make your stimulus payment go farther for you and your family, as well as help protect your credit during this time.

Make Sure to Take Care of Yourself

Described above is just one prioritization strategy you might utilize. There are plenty of other ways you might decide to spend your stimulus payment—and again, this will ultimately depend on your individual circumstances and wishes. For example, donating to a charity or helping out a family member or friend during this time may be a priority for you, so you might choose to designate a portion of your check to go towards that.

Whatever strategy you choose, the most important thing is to make sure you are taking care of yourself. These stimulus checks are meant to enable Americans to lessen their financial hardship during this time of uncertainty, so how you spend your money should be focused on accomplishing that goal.

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