Kenan Institute Press Briefing
How are We Going to Afford COVID-19?
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Transcript

The opening remarks referenced the influence of the COVID-19 pandemic on the U.S. employment rate.

Greg Brown: Good morning. I've seen some numbers, 20 or 30 percent, in terms the unemployment rate. Those just seem too high. I think these are just sort of sensational numbers people are grabbing on to. I think more realistic is that we'll see an increase of probably five to seven percent, assuming we get a proper stimulus package out of Congress. It now looks like that's going to happen. A bad stimulus package or no stimulus package could lead to something that is higher than that. But I think it's realistic to think that what is being done right now is going to limit these kind of really extreme cases of unemployment. Now, what's going to happen to gross domestic product? It's not unrealistic to expect that GDP is going to contract somewhere between 10 and 20 percent in Q2. It's important to remember that GDP numbers are done at an annual rate. So that's really sort of four times roughly what the actual decline is going to be. Again, this is going to depend somewhat on how the pandemic evolves, but also how fiscal policy proceeds.

Certainly some big developments over the last couple of days in terms of monetary policy. They they kind of shot all their bullets. They did some very unprecedented things. They at least announced they're going to do some unprecedented things in terms of effectively becoming a direct lender to corporates, states and municipalities - a lender of last resort. This is not how the Fed has traditionally operated. But I think they signaled a willingness to step into the void, if there was a potential void that was going to be created by disruptions in financial institutions or a lack of fiscal policy response.

So how is this translated into what's happening in financial markets? Obviously, they're still under great stress. We saw the stock market continue to sell off yesterday, though it's bounced back quite a bit today with expectations that we're going to have a stimulus package at some point later today. Bonds have stabilized some, but there's been a big disruption in the bond market. We're going to learn more about that from Dan Adler here in a few minutes.

And commodities continue to fall too, of course, with the big decline in demand. There's a decline in industrial and agricultural commodities. We've seen a collapse of oil prices and we saw gasoline go under 50 cents a gallon yesterday for wholesale prices. So, some very disruptive activity in the financial markets.

But we're gonna be providing a briefing in the near future, maybe sometime probably the next week or two, that's going to dig more deeply into the economic stimulus plan as we get more details there. The goal of today is really to better understand what all this means for individuals who are really, at a minimum, seeing their savings decline, probably seeing a decline in home values, at least in the short run. And at worst, they're losing their jobs or they may have small businesses that are being threatened. And of course, this comes on top of the anxiety that individuals have about their own health, their loved ones' health. It's really a lot to worry about.

So, I think the goal today is to try to get a better handle on how households should be thinking about on the current situation. What are things that they could do to improve their current situation, I think both from a financial perspective as well as from a personal perspective.

I provided a little bit of information last week, in terms of what the effect might be on a typical household that's saving for retirement, and got a request to provide some more specific details there. So I just want to run through sort of a specific example. We can sort of think of there being two primary impacts in terms of what's going to happen to people in the retirement savings part. Certainly people that are in 401k plans and other individual retirement plans, they've seen a decline in their current wealth, if they've been exposed to to the market conditions that I just spoke about. There's also this notion that they're going to be exposed to what happens in the future as well. So future market fluctuations, but especially the things that are under their control, in terms of how they allocate their assets in retirement.

So if we think about a typical 40-year-old worker who might have, just to pick a round number, half a million dollars in 401k savings, and they want to retire at some point in the future when they feel confident that they can withdraw $70,000 a year until age 85. If we use reasonable assumptions for stock and bond returns looking forward, so, say, seven percent for stocks on average and two percent for bonds, then this person was in pretty good shape before the crisis. They could expect to retire around age 62.

Now if we assume that their retirement account is down because the market's down around 20 percent this year, it's a round number, might be more. Might be less. This is going to have a reasonable impact on their ability to retire. So if they want to have that same security of $70,000 a year until age 85, it will push the retirement age back from 62 to 66. And that's an extension, for sure, but it's not the end of the world.

The bigger concern, I think, is what happens if people panic and they switch to a different allocation that might be only cash or only bonds, because they're worried about what's going to happen to their stock market allocations. If we assume that someone were to move into all cash or all bonds for the next five years, this would have the expectation of delaying the retirement an additional two years. So pushing back to age 68.

Now, if this person kind of permanently panics and says, "I'm never going to invest in the stock market again," this is going to have even a larger impact and delay the retirement still another six years to age 74. So we're talking about going from, prior to the crisis, the retirement age expecting around maybe age 62, all the way up to 74 if someone panics and decides they are never going to invest in the stock market again.

So these are pretty dramatic effects. And I think, one of the things that we want to think about is, how do we get people comfortable with the idea of remaining dedicated to sort of a reasonable plan towards retirement - one that has appropriate risk level for them and doesn't have a big adverse impact on what their retirement age will be at a later date.

So I now want to turn it over to my colleague, Cami Kuhnen, who actually studies consumer behavior and household finance for a living and is one of the leading researchers in this area, to give us a little bit more understanding about how individuals and households might be dealing with the current crisis.

Cami Kuhnen: Thank you, Greg. Good morning, everybody. Today, I wanted to take a few minutes to tell you a bit about some research that was done before the current crisis led by the coronavirus. But it was research that's quite relevant, I think, to what's going on today and to how American households are going to think about economic decisions in the medium run. So this research is based on work done in neuroscience and in psychology, with respect to the role of adversity on how the brain functions.

And there are a couple of results, a couple of insights we get from neuroscience that we actually verified in data about consumer behavior all the way up to the crisis. So these two insights are as follows: If you experience a lot of adversity - and that adversity could be due to maybe you or your family members losing jobs, or it could be adversity driven by an illness in the family, or by addiction or violence, or any type of adversity, not just economic adversity - it actually has an effect on how your brain takes in new information.

So it turns out that if you've seen a lot of adversity, you tend to discount good news and you tend to put a lot of weight on bad news. And this is going to lead to having a very a pessimistic lens on not just your own life and your own economic opportunities. But it turns out we see this in data that I even looked at for the past 40 years or so, data from United States, we see that you, having seen adversity in your life, it is going to make you be pessimistic about the whole economy - about the macro economy, not just about your own situation. And so, my worry is that all of these households who right now are going through this very difficult time - some of them are losing money in the stock market, others are seeing their loved ones losing their jobs or getting sick, being in the hospital - these people are going to end up having a very pessimistic lens on economic opportunities going forward for themselves and for the nation as a whole.

The other result or insight that comes from neuroscience is if you are in a situation that's characterized by adversity which tends to come with a lot of instability. For example, you would have this if you lose a job. If your income goes up and down because of an unstable job situation, then you tend to extrapolate from your own situation and believe that the whole world is unstable. You tend to be very uncertain about even macro economic outcomes that you cannot control - things like where inflation will be in the next year or what will happen to home prices in the whole nation. So going through these times of adversity is going to make people, on the one hand, be overly pessimistic about what's achievable out there.

For example, what will be the return expected in the stock market in the near future. But it's also is going to make people be very uncertain. Basically households are going to imagine that anything is possible, all these extreme outcomes, about stock returns, about inflation, about unemployment. And so the effects of this heightened pessimism and heightened sense of uncertainty that are driven by people going through times of adversity are all basically that people are going to behave in a very cautious manner. They're going to engage in what we call precautionary behaviors. They are going to spend less. They're going to try to line up credit just in case they need these credit lines later on. They will not buy durable goods. They will not buy homes. They will not invest in the stock market.

Again, these are results that we have seen in our research before the coronavirus got us in the situation that we're in right now. And what I expect to see is something very similar - because of this crisis, because of the virus, you will see American households become overly pessimistic about the future of the American economy. They will be very scared of the stock market and unwilling to invest. And again, they will be very, very uncertain - meaning that they will believe that extreme outcomes are possible. For instance, they will imagine that the unemployment rate could be really high, much higher than it's actually going to end up being.

And so this, it turns out, will have an effect on how deep or how long a possible recession that's driven by the virus could be. Households, because of this heightened pessimism and uncertainty, will not spend, they're not going to invest. And so this means that economic growth is going to be much slower than it could be just because of the objective effects of the virus itself. And so this is going to prolong a difficult situation. This sort of psychological reaction that we have to become too pessimistic and too uncertain if we go through adversity is going to make a situation, which is bad already, much worse.

And in fact, if you look at very recent data published in the last couple of weeks, what you see is that households, indeed, are unlikely to believe that this is now a good time to buy durable goods. This is survey data from the past couple of days. So people think this is not a good time to buy durables. Also, you see a significant lower demand, relative to March of last year, with respect to buying homes. You see that people are also not interested in buying cars. We see definitely a lower volume of car sales, and it's just not just driven by dealerships being closed. This is driven by people's belief that this is not a good time to buy things like cars. And so you have this very low interest in spending for anything like homes or durable goods. And this is even at times when people should be getting some extra cash. They're getting extra cash because they are refinancing because of these very low interest rates that we're faced with right now. So people are refinancing, they're going to pay lower amounts of money every month as their mortgage payments so they have extra cash. There is promise now from the Treasury that American households in need are going to get checks in the mail to provide them with cash during this crisis.

So you have this cash being given to households, but there is no interest from these households in spending the cash. And this is exactly this very cautious response that we expect - that based on the previous research, when people have gone through adversity, it makes them be overly pessimistic, overly uncertain, and then they will hunker down. They will conserve the cash. They will not want to spend, they will not want to touch the stock market or buy durable goods. And again, all of this means that this recession, or the economic slump, will be longer and more severe than it really should be.

So how do we fix it? As I said, it's good that the cash is sent to households or somehow made available, let's say, through lower mortgage interest rates. But that's not sufficient. What has to happen, and hopefully will happen soon, would be the convincing efforts from policymakers to increase people's confidence in the government's response. And this would mean making the public feel safe or making them understand that hospitals will be given the necessary supplies for them to be able to take care of all the patients who fall ill. So this will require an investment in hospitals, it will require protections for our medical personnel. So a sense of confidence, a sense that there is a limit to the downside - I think these things are going to go a long way towards taking households out of this state of mind of complete panic that makes them overly pessimistic, overly uncertain, to a better state of mind where, in fact, they can take the cash and they can spend it and help with economic growth down the road.

So I'm going to pass the mike now to Dan Adler, and he will tell you more about the mortgage market.

Dan Adler: Thank you, Cami. Good morning, and thank you to everyone for taking the time today. I'm Dan Adler and a portfolio manager at UIA Investments, and I'll be discussing how the mortgage market has reacted to the COVID-19 crisis. Before I start, I need to provide the following disclaimer that I'm going to be discussing developments in the marketplace and nothing pertaining to the strategies I manage at UIA Investments. I'll be touching on agency, mortgage-backed securities, asset-backed securities, commercial mortgages and some of the stress points. And those include short duration bond funds and REITs.

There's some pretty interesting things going on. Given the time allotted, I'm going to try and discuss these events at a fairly high level, but I'd be happy to take questions at the end. We're seeing both fundamental and technical factors impacting these markets, and at that fundamental level, people are out of work, and this could lead to weakness in asset-backed securities or mortgage-backed securities, people not shopping, it could lead to weakness in commercial mortgages. And I don't want to minimize those impacts, because I think one of the most important impacts is to the American worker. But those impacts are somewhat a little...they won't occur in these securities for a month or two.

And I think what what we've been seeing in the marketplace thus far has been more of the technical factors. And that's where a significant portion of the current stress is, particularly in de-leveraging within asset-backed securities, commercial mortgage-backed securities and both agency and non-agency mortgage-backed securities. One of these developments has been in ultra-short bond funds. These aren't money market funds, as they invest in slightly longer and very slightly more risky bonds than money market funds. And a lot of households keep some of their investments in these relatively safe vehicles. But as this crisis has unfolded, there's been a significant amount of withdrawals from these ultra-short bond funds, as investors either need their cash or choose to reinvest in equities that have declined significantly in price, or they've just decided to get out of the market because of fear. And as a result, these funds are holding very high-quality asset-backed securities and commercial mortgage-backed securities, and these are very short securities, if you will, and typically AAA and very solid from a credit perspective. They're gonna get the cash flows back.

But the problem is, these ultra-short bond funds, a lot of them weren't holding treasuries. So if you were holding treasuries as the Fed cut rates, you could sell those for liquidity, but a lot of these ultra-short bond funds aren't holding those. They thought that these asset-backed securities and commercial mortgage-backed securities would be very liquid, which in normal times they are. And even in slightly stressed times, you might be able to find a bank that would step in and buy these securities. But banks really aren't stepping up, because they've had companies draw down their credit lines, as Cammie suggested. People are drawing down credit where they can, in the event they need it later, which these banks are expecting. I think it's on the order of $80 to 90 billion in drawdowns that these banks have seen. So they're not in a position to buy these AAA asset-backed securities.

So as a result, these are securities that were trading at 10 to 30 basis points above LIBOR, or a close proximity to treasury securities, about a month and a half ago. And that's .15 percent or .3 percent, somewhere in that range, depending on the securities. As all of these funds have gone to sell them, the spreads have ballooned out to 200 to 600 basis points over, which is a pretty severe dislocation. And it's also not what the Federal Reserve had in mind when they reduced rates by 150 basis points in their two meetings in March. They were attempting to provide more credit to the consumer and more credit to the mortgage market. But because these funds have been deleveraging so quickly, we've seen a pretty severe dislocation. And what's happened in these ultra-short bond funds is that there are some that are down just a little bit, given they've had more liquid securities to sell. But the funds that have had less liquid securities are down somewhere from five to seven percent on a year-to-date basis, which is pretty severe for what's supposed to be a safe fund that's investing in safe, high-rated assets.

Another interesting development within the mortgage market has been the impact from mortgage rates and real estate investment trusts. The Fed cut rates in an attempt to lower mortgage rates for consumers. So that would provide another means of reducing the debt load on homeowners. Now, mortgage rates hold both agency and non-agency mortgages, unfortunately, typically on a leveraged basis, so that they can provide an attractive yield to their investors. Many of these REITs will hedge the interest rate risk of their mortgage holdings, through either interest rate swaps or being short treasury bonds, in order to protect against rising interest rates. So as the Fed lowered rates, treasury bonds both long and short increased significantly in price. Mortgages increased in price initially, but not as much as the treasuries. And given the levered nature of these rates, prudent risk management would have them selling some of their agency and non-agency mortgages to avoid margin calls from Wall Street dealers and repo desks as the prices declined relative to hedges.

So the long story short is that, over the last week or so, they've had to sell somewhere between $100-500 billion worth of mortgages, which, in fact, widened agency mortgages further last week. So you had agency mortgages that were trading somewhere around 75 basis points, or .75 percent over treasuries a month and change ago. And all of a sudden, because of this de-leveraging from the REITs, the spreads ballooned out to 225 basis points over treasuries. So this was another negative externality that wasn't expected as REITs de-leveraged, and created a real problem in the mortgage market.

Fortunately, the Fed has stepped in. I'll talk about that in a minute. This week, we're now seeing, a much more normalized agency mortgage market. But in the interim, as of Monday, there were two REITs that were no longer meeting their margin calls, and as of this morning, there was a third REIT that was no longer meeting margin calls, which is indicative of their equity and possibly the preferreds being written down, as basically the dealers make margin calls on their holdings. And these mortgage REITs prior to the crisis held about $300 billion in mostly non-agency mortgages.

So this has been a real significant event, causing a pretty severe dislocation within the mortgage market. As I mentioned, the Fed has stepped in. Yesterday, the Federal Reserve took fairly aggressive measures to provide credit to both consumers and greater liquidity to the marketplace. More importantly, credit to consumers and homeowners. They've now committed an unlimited amount of purchases in agency mortgages in order to restore stability. And yesterday, we saw that stability come back into the agency mortgage market.

Now, an important note is their purchases will not include non-agency mortgages or non-agency CMBS. As Greg mentioned, they're providing $300 billion in financing to asset-backed securities, corporate bonds and additional support to the municipal market. And they're providing term-loan financing facilities for new securitizations of auto loans and credit card ABS. And so this should, and is, providing more stability to the markets that affect consumers directly. And in effect, we should see the impact of lower rates as homeowners, folks holding credit card debt, auto loan debt and student loan debt begin to enter the marketplace. So we're now seeing more normalized markets as of yesterday and today.

There's still significant dislocations in non-agency mortgages, subordinated credit markets and bonds that support the credit of Fannie Mae and Freddie Mac. But I think the intent of the Fed is not to fix all secondary markets. It's really assisting the consumer in providing financing and lower costs to those that are most impacted by this health crisis.

In my estimation, the Fed is doing what they can to provide credit where it's needed, without providing a significant moral hazard to the marketplace. They're not buying equities, they're not rescuing companies that shouldn't be rescued. They're providing term credit where it's needed. But at the end of the day, it remains a public health crisis. And there's only so much the Federal Reserve can do to provide limited solutions within the marketplace. With that, I'll hand it over to Courtney Knoll to discuss tax considerations.

Courtney Knoll: Thank you, Dan. First, I have to start my comments by letting everyone know this should not be construed as tax advice. It's part of my professional responsibility to let you know that. Now I'm going to give you some of the practical considerations that a lot of households may be facing when they need to access cash. Perhaps they don't have reserves set aside sufficient to weather uncertain times.

Cami mentioned that Congress is considering direct payouts. Currently, we saw a Democratic bill from the House that came out last night that greatly increased the amount of the payout. Don't know what's going to happen with that. In any event, those payouts very likely may not be sufficient to meet the cash needs that some households may have in the coming months. So what are opportunities, and what are the possible tax ramifications, of accessing cash?

First, a lot of people probably already know that one direct way to delay paying out cash that you otherwise would have to is to not file your tax return if you have a payment due with your 2019 tax return. Normally, that would be due April 15th. It's now delayed till July 15th. That is for the filing and the payment of your tax that would be due with your return otherwise. That applies to income and applies also to self-employment tax. It also applies to the first quarter estimated tax payment you'd be making for 2020. So that's way number one to hold on to some cash that you otherwise would have to be paying out soon.

Now I will add that if you're due a refund, go ahead and file. That certainly would access cash earlier. The IRS is still operating with about a 21-day turnaround, the last I heard, in terms of getting refunds to you if you file electronically and request the refund to be directly deposited. One little caveat to that, that someone mentioned to me yesterday, is that Congress could change laws retroactively for 2019, which means that if you file a return now you may have to amend it. That would be presumably because you'd be filing for an additional refund. So just a caveat that that always could happen. We just don't know.

So what are some other ways to access cash? I'm going to mention a few that are available probably to a lot of folks that have retirement savings. Greg mentioned 401ks. I will say this is usually the last thing I would ever recommend someone doing, because if you have a retirement savings account, it's obviously very good to keep and hold onto it, so that you can use it in retirement. However, if as a last resort, you need to access a retirement account, first of all, you're allowed to decrease your contributions depending on your employer's plan. That won't take effect right away. It may take a pay period or two. But if you do that, that will obviously increase the cash that you will have. The only warning, I would say, with regard to that is, a lot of employers do match your 401k elective deferrals up to a certain max. And so, if you can hold on to making contributions sufficient to get that maximum match, that is ideal.

Another reason to decrease your contributions, if you have the the ability to do it, even if you don't need the cash currently, is to build up a reserve if you don't have one. Obviously, a lot of people are faced with the stress of not having cash on hand from a liquid source right now. So if you are one of those people, I think that building up that reserve now to the extent you are able would be recommended.

Also, making a direct withdrawal from an existing, traditional 401k or a traditional IRA is possible. It's important for people understand that they will owe tax on these distributions. The Senate bill, that's one of the bills that's being debated, does provide some relief for this tax, which, under current law, would be due with your 2020 tax return next April. But the bill provides for a three-year installment plan for any tax on withdrawals from a traditional 401k or IRA.

You may also owe a penalty - typically, a 10 percent penalty if you make a distribution from one of these plans before you're age 59 1/2. There is a hardship withdrawal exception to the penalty. It does not exempt you from the tax due, but it would exempt you from this additional penalty. Again, the Senate bill that's currently being debated would provide for up to $100,000 of hardship withdrawals. So that penalty would be waived for individuals who otherwise would be subject to it.

Loans. Individuals can also make loans from 401k, if the plan provides for that option, usually up to a maximum amount equal to $50,000 or 50 percent of the balance. The Senate plan that's again being debated provides enhanced opportunities for loans. There is a payback schedule, and if you leave your employment before it's paid back, you again are treated as if it's a withdrawal and it will be subject tax.

So all of that is to say, despite the fact that the Senate bill is providing additional incentives for individuals to be able to make distributions and take loans from their 401k plans, I would definitely consider this a last resort. It's really a bad time to be liquidating assets that are invested probably heavily in equity markets, which as we all know, are very much down right now. And again, it takes away from your ability to use those funds later, obviously.

One thing that is a little more flexible with regard to accessing retirement savings is a Roth IRA. If you have a Roth IRA, you are able to make a distribution tax-free and penalty-free, regardless of your age, regardless of how long it's been invested, to the extent you're withdrawing prior contributions. So if you just take a withdrawal from money that you put into the Roth, it's tax-free, penalty-free, regardless of your age. Any withdrawals of funds past that point, of earnings inside the fund, would be subject to tax and penalty, potentially, depending on your age and how long it's been invested.

So with all that being said, if you can avoid tapping into your retirement savings, that would be ideal. There are other options for accessing cash. If you have available to you a home equity loan, that is, of course, an opportunity for you to borrow against the equity inside your house. I will mention that with regard to tax, simply because there used to be a tax deduction available for interest on these home equity loans, regardless of what you use the money for. That changed with the Tax Reform Act at the end of 2017. So there's no longer a tax deduction available for interest on these types of loans, unless the proceeds are used to buy, build or improve your your main home, which is not generally what we're talking about right now.

So that's kind of access in cash. In terms of other considerations right now that are on my mind when I think about taxes and this crisis we're going through - government assistance payments, if you're accessing those, generally would be tax-free, although it's agood reminder that unemployment payments are taxable. So if you receive those during the year, you'll need to be paying tax for that with your 2020 tax return. And that would be an unwelcome surprise for a lot of people, no doubt.

If you pick up some side work as an independent contractor, that's great. You need to be prepared, if you're not familiar with the tax obligations of being an independent contractor, that there are estimated tax payments you would need to be responsible for paying, since you no longer have an employer withholding for you. And then what can really be a surprise for a lot of folks is the self-employment tax responsibility of 15.3 percent tax. That is the counterpoint to FICA in the employer-employee world that you'll need to be responsible for also submitting as an estimated tax payment. So consider those tax burdens when you consider whether it's worthwhile to pick up that side work and also make sure you are complying with them if you do do that sort of work.

If you're fortunate enough to be in a position where you have excess cash and resources, I will just end on a high note by saying that it could be a good time to make a gift. When values are low, the gift tax potential is lower as well. Of course, charitable contributions are tax advantaged to those people that itemize, and there are some provisions currently in the bills being debated that would enhance those and expand those to folks, even those that don't itemize.

So that's kind of a laundry list of some other considerations that are relevant right now with regard to this this crisis we're going through and taxes. And with that, I will give the microphone back to MacKenzie.

MacKenzie Babb (moderator): Great. Thank you so much, Courtney, and thank you to all of our experts for sharing that analysis. At this point, we're going to open things up for reporter Q&A.

This first question is coming from a researcher on the line; As Congress debates the stimulus plan, what do you think is most critical to include to ease the impacts of COVID-19 on the U.S. economy? And are there any pitfalls or concerning aspects of the current plan, as discussed by Congress? A particularly relevant question given today's news. I'm not sure who'd like to start us off with responding to that. But I'm going to open that to the floor of participants.

Greg Brown: I'd be happy to take a swing at it. I think one of the points of contention between the Democrats and Republicans has been exactly how we deal with the accountability of the stimulus that's going to go towards corporations in particular. And I think that that is an important issue. But the most important issue is that businesses actually get this support. One of the most important things that I think we can do with the stimulus package is maintain the bond between employer and employee, so that hopefully this is a short dislocation, just a month or two, and the economy will come roaring back, and businesses are going to need their employees in place in order to have that sharp rebound. So being able to provide direct assistance to businesses with the guarantee that they're going to use that assistance to maintain their employee base is a really important part of the stimulus package. If we let this employer-employee relationship fray, it could take a long time for companies to be able to find the workers that they need as the economy recovers.

So I think there's a variety of different ways that this can be done with large businesses. And that's what's been, I think, one of the sticking points. The current legislation is, how do we make sure that the money is actually going to go for this purpose? I think, fortunately, there seems to be more agreement about what to do with small businesses. And it looks like there's gonna be about $350 billion allocated to small businesses specifically for them to be able to continue to operate and keep their employees on board. Now, the nice part about this is that, in the legislation that I've seen, it looks like there's going to support to these small businesses in the form of grants, so that as long as small businesses actually do keep their employees on, they'll be able to proceed with not having to pay back this stimulus package from the federal government.

MacKenzie Babb: Great. Does any does anyone have anything else to add on that?

Courtney Knoll: I'll throw in from a tax perspective. One of the biggest things that changed that would be relevant currently to helping the situation would be around the 2017 Tax Reform Act restriction on the ability to carry back losses. So under prior law, if you had a loss in the current year, you could carry it back and get a refund of taxes paid in one of the prior two years, if you had profits that you paid tax on in those years. And post-TCJA tax reform, the carryback period's no longer allowed. And there's a restriction on how much you can offset in a carry-forward year.

So in the current Senate bill, there is a loosening of those restrictions, basically a repeal of that change. And I think that would be an immediate benefit to any companies that are suffering and end up with a big loss in this year, but who paid a lot of taxes in prior years. And to the extent that there's the ability to provide for some quick carryback claim of those taxes paid in the prior year, that's obviously putting cash immediately into some businesses' hands at a time when they really need it. So I'd say that's kind of a low hanging fruit provision from the tax perspective.

MacKenzie Babb: That's great, Courtney. We've got another question in: With the relief being considered in the $1-2 trillion range, as well as a decrease in payroll tax payments, how will this affect our total national debt overall as future taxes?

Courtney Knoll: Well, obviously, the tax reform bill was scored at $1.5 trillion increase to the deficit. And we saw that that was climbing prior to this all happening. It seems to me a reasonable expectation that would continue to be a larger number in the in the near term.

Greg Brown: I would add that, in the current situation, I think it's almost an issue of not, "Is this going to cost the federal government and the economy?" It's really just a question of how much and when. And so, while if we end up with the package in the $1-2 trillion range - that is a huge amount of money to spend - if we don't do it, it could end up being twice as much, in terms of the overall cost under the economy, and even direct cost to the federal government, in terms of what the economic dislocation would be for long-run impact on on taxes and additional social support programs that they're already on the hook for. So, unlike the previous 2017 tax package, which was sort of a voluntary type of initiative, in this case, it's a pay-now-or-pay-later and probably pay-more-later type of scenario.

MacKenzie Babb: Great. Thank you, Greg. We've got another question, this one from Seth Gulledge at the Triangle Business Journal. It's a follow-up for Cami, somewhat in relation to the stimulus being debated by Congress. He's wondering if there's any insight into whether perception of government action also has an effect on those macro economic assumptions that might influence the lens on economic opportunity. Cami, do you want to start off with that one?

Cami Kuhnen: Yes, I think that households would benefit from seeing that the government knows what they're doing, that there is a clear understanding from our policymakers about what is the best response to this crisis. And this is not exactly what's been going on. I think that we have received very different messages from different policymakers over the past few weeks. And so households are confused. Remember, the tendency is to assume that extreme outcomes are going to happen, that the worst things will occur. And so everybody will hunker down and engage in those very, very cautious behaviors, which will prolong this recession or the economic slump. And so we all could benefit from a knowledgeable, objective, united-front response from the government. The Fed has done a very good job, I have to say. They're part of the government. It would be nice to see the Treasury and the Congress working together to provide stimulus, but also to provide solutions for the public health crisis that's going on. So helping the medical system cope with this, building more hospitals or helping hospitals with funding. We need to see this coordinated response and believe that our policymakers know what they're doing. This would help people feel less uncertain about the world and more willing to just go on and live their lives in a few weeks.

MacKenzie Babb: Fantastic. Thank you, Cami. We have another question, and I think this is the last one we'll have time for today. This one's for Greg, from Kenneth Rapoza from Forbes: Just thinking out loud, but any insights, he says, on how this package will help self-employed people, say New York City Uber and Lyft drivers, for example, or service sector workers such as cooks and restaurants, in cities on lockdown?

Greg Brown: I think that's a great question. I don't know what is in the most recent version of the stimulus plan. There were specific provisions that would allow people who are self employed to access benefits. And I think there may be some in the SBA disaster relief as well. That if you can document that you have independent contractor income or self-employed income, that you would be able to qualify for some of the loan benefits and potentially grant benefits.

But I think this also just goes back to this broader issue of small businesses. So if we think, there are thousands and thousands of restaurants that are effectively out of business now. I mean, some are trying to make a go of it in takeout, but a lot of already shut their doors. Now, they are going to have employees that are either contract employees or regular employees, and somehow they need to be able to get cash to these people. And I think the hope is that whatever happens for small businesses is going to qualify to a wide range of small businesses, not just those that have existing relationships with SBA through the 7a program or other established banking relationships, but really a broad swath of businesses that may not be as much a part of the kind of formal banking system, with unrecognized collateral, that still need cash to be able to keep their businesses intact, so that when things recover, they'll be able to rebound. I really think that a very effective way to do this is through small businesses, not just through direct payments to individuals.

MacKenzie Babb: Fantastic. Thank you, Greg. I know we're just a few minutes over time and we didn't get a chance to answer all of the questions, so please don't hesitate to reach out to me if you'd like to continue the conversation with any of our experts online today, or if there are additional ways that we can be supportive to you and your coverage of this crisis. We're here for you. We're going to continue this series next week. So please mark your calendars. We hope you can join us again next Tuesday. We'll be sending additional information about that either later this week or first thing Monday morning. Hope to see you then. And again, please reach out if there's any way we can be of service to you. Take good care, stay safe, stay healthy, and we'll talk with you soon.