Change is always a constant. But the basics of managing your finances stay pretty much the same—especially when you need to keep a tight watch on expenses. These easy-to-implement steps can help you do just that.

Then see what four sample households chose to do and the potential impact of their decisions on their finances today—and tomorrow.

1. Create and maintain a budget to track and categorize your expenses and spending

Budgeting can help you understand exactly where you’re spending your money. Keeping careful track of your expenses and identifying where you can cut back can help you allocate more of your money towards critical expenses.

- Identify any services you may no longer be using, such as gym memberships.
- Pinpoint areas where you could reduce or eliminate your budget allotments, such as clothing purchases, entertainment, transportation, dining out and vacation funds.
- If you’re anticipating a tax refund, plan how you could use it for essential expenses. Or, if you can, use any refund to start—or bulk up—your emergency fund.

ACTION: Use this interactive budget worksheet to take the first step in taking control of your finances.

2. Identify areas where you can reduce expenses

Taking a few simple steps to adjust essential expenses (such as food and housing) and nonessential expenses (such as restaurants and entertainment) could free up money for immediate needs. For example, you could reallocate some of your commuting and related expenses if you’re now working from home.

- Evaluate your expenses to identify possible savings. For example, do you still need an unlimited data plan if you’re mostly at home with reliable Wi-Fi and internet?
- Work on your cooking-at-home skills instead of ordering in. When shopping, plan your grocery list carefully to avoid wasted food and search for digital coupons to save money.
- Eliminate leaks in your budget. Examples: unsubscribe from emails from your favorite retailers or delete stored credit card information on shopping sites to reduce impulse shopping.
- Research your employer’s employee assistance program if your company offers one, as it may provide a variety of relief programs for you and your family.
3. **Reduce nonessential and essential spending**

- **Utilities** — Reduce consumption of services where possible by setting your thermostat a few degrees higher for air conditioning or lower for heat, unplugging out-of-use electronics, or taking advantage of your utility’s “off-peak” hours.

- **Consider refinancing your mortgage to take advantage of a lower interest rate or reduce your monthly payment.** For more information about home financing, see this article.

- **Consider reducing your contribution to 529 plans, IRAs, or employer-sponsored retirement plans (but be mindful of your company’s match, and try to keep your contribution high enough to take advantage of it).**

4. **Arrange to defer payments where you can**

Another step that could help you reduce your spending would be to work with lenders, landlords or others to delay or defer payments.

- **Student loans** — If you have federal student loans that are held by the U.S. Department of Education, the legislation that passed on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, automatically suspends payments due between March 13, 2020, and September 30, 2020, waives interest accrual during such period, and records the missed months of payments as if the borrower had made the payments for the purposes of loan forgiveness programs. For more information, access the Consumer Financial Protection Bureau’s website to learn how the CARES Act addresses student loans. The site also includes a variety of resources on how to protect yourself financially during the coronavirus pandemic. You can find a list of student loan servicers for loans held by the U.S. Department of Education on the department’s website. If you do not know who your servicer is or how to contact them, you can contact the U.S. Department of Education through their website or at 800 433 3243.

- **Rent** — Explain your situation to your landlord and try to negotiate a plan that works for your budget, including how much you can afford to pay and when you’ll be able to restart normal payments.

- **Mortgage** — The CARES Act allows homeowners with federally backed loans (this includes FHA, VA, USDA, Fannie Mae and Freddie Mac loans) who are affected by the pandemic to request a forbearance of their mortgage for up to 180 days, and can be extended for up to an additional 180 days. Some privately held mortgage loans may also have programs available to defer payments or waive late fees. Speak with your mortgage company about your options to reduce or suspend your payments, including how you’ll be required to repay the missed or reduced payments following the forbearance period. For more information, access the Consumer Financial Protection Bureau’s website to learn how the CARES Act addresses mortgage forbearance. Some cities or states may also have additional mortgage or housing protections due to the pandemic.

- **Credit cards** — Paying only the required monthly minimum could make sense when your budget is stressed. It’s also a good time to avoid using credit cards whenever possible.

5. **Consider employer-sponsored retirement plan withdrawals carefully**

If you participate in an employer-sponsored retirement plan or have another retirement account, such as an IRA, you may be able to tap some of those funds to help you meet expenses if you’ve exhausted your other options. The CARES Act includes provisions for certain retirement plans that permit additional withdrawals known as Coronavirus-Related Distributions (CRDs), increase the available loan amount and allow deferment for up to one year of repayments for new and existing loans due from March 27, 2020, to December 31, 2020, for eligible participants in employer-sponsored retirement plans that adopt the provisions.

If you are not able to take advantage of the added provisions in the CARES Act, the employer-sponsored retirement plan may have other withdrawal and loan options available to you already, such as a hardship distribution or a regular loan. Please review the terms described in your plan documents (including the Summary Plan Description) and any relevant loan or hardship policies. For more information, visit go.ml.com/MerrillCARES.

And it’s always important to consider the potential disadvantages of taking a loan or withdrawal before doing so. Among those considerations is that the money you withdraw no longer has the potential to grow on a tax-deferred basis over time to help fund your retirement. It’s also good to talk to a tax advisor before taking any loan or distribution.

Everyone’s situation is different, but here are some hypothetical scenarios designed to illustrate how different people might choose to manage their finances in challenging times, and how their choices might affect their retirement readiness.
Our sample households

Each of our four sample households faces important financial decisions in the wake of the economic downturn following the coronavirus pandemic.

See how they chose to address their changing situations — and the impact their decisions could have on their finances and their potential retirement income. (These are fictional scenarios intended for illustrative purposes only.)

<table>
<thead>
<tr>
<th>Ben</th>
<th>Amy and Brian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single, age 30</td>
<td>Married, both age 45, with two young kids</td>
</tr>
<tr>
<td>Ben was laid off, but he’s just 30 and single — so maybe he doesn’t need to worry about taking funds out of his retirement account to help meet expenses.</td>
<td>Amy has lost her job — and a hard choice for them is whether to continue to fund their kid’s college savings plans.</td>
</tr>
<tr>
<td>See what Ben chooses to do »</td>
<td>See the choices Amy and Brian make »</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Jim and Sarah</th>
<th>Anita and Jorge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married, both age 45</td>
<td>Married, ages 57 and 62</td>
</tr>
<tr>
<td>Both Jim and Sarah have lost their jobs due to the financial impact of the coronavirus. But with unemployment benefits and stimulus checks, do they need to curb their spending?</td>
<td>They’re older than our other households. Jorge loses his job, and at age 62 he’s close to retirement and eligible for Social Security benefits.</td>
</tr>
<tr>
<td>See the decisions they make »</td>
<td>See the steps they decide to take »</td>
</tr>
</tbody>
</table>

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Ben
Single, 30 years old
Wages: $32,000
Employer-sponsored retirement plan account balance: $10,000

Ben loses job following business closing due to the financial impact of the coronavirus

**Situation:**
- Is eligible for and files for unemployment benefits from his state, which includes an extra $600 per week through July provided by the CARES Act
- Receives $1,200 stimulus check
- Establishes budget to account for his lost income

**Actions taken:**
- Identifies areas where he can reduce spending until he returns to work
- Ben is single, but he’s close to his extended family. So he spends time to review his beneficiary elections for his employer-sponsored retirement plan account and HSA.
- Ben contacts his cell phone carrier to reduce his data plan. He also shops around for lower car insurance premiums, as he won’t be driving as much as when he was working. He has no need to buy lunch and takes up cooking. Ben’s landlord agrees to negotiate partial rent payments for the next three months, by which time he’s hoping to be working again.
- He considers spending his stimulus check on a new TV, but decides with all the uncertainty right now, this is the perfect opportunity to set up an emergency savings plan. He deposits his entire $1,200 stimulus check into his emergency fund savings account.

Ben considers withdrawing $4,000 from his employer-sponsored retirement plan account—but chooses not to.

**Outcome:**
Without careful budgeting and finding ways to trim his expenses, Ben might have needed to withdraw money from his employer-sponsored retirement plan account. Even though he is many years from retirement, withdrawing just $4,000 from his account could have a real impact on his potential account balance as he gets closer to retirement. Ben’s $10,000 in current retirement savings potentially could grow to $106,800. But a $4,000 withdrawal could reduce his potential retirement savings to $64,100. A larger withdrawal of $9,000 could reduce his potential savings even more.

This hypothetical illustration assumes starting balances of $10,000, $6,000 ($10,000 minus a $4,000 withdrawal) and $1,000 ($10,000 minus a $9,000 withdrawal), no further contributions and a 7% annual effective rate of return. Hypothetical results are for illustrative purposes only and are not meant to represent the past or future performance of any specific investment vehicle. Investment return and principal value will fluctuate and when redeemed the investments may be worth more or less than their original value. Taxes are due upon withdrawal. If you take a withdrawal before age 59½, you may also be subject to an additional 10% federal tax. Note: The CARES Act temporarily modifies some of the tax provisions related to withdrawals for eligible plan participants whose employer-sponsored retirement plan adopts the Act’s distribution provisions.

Source: Calculations provided by the Chief Investment Office.
Amy and Brian

Married, both 45 years old, 2 children
Wages: Amy $48,000 and Brian $50,000
Combined employer-sponsored retirement plan accounts balance: $40,000
Brian still working, Amy loses job due to financial impact of the coronavirus

Situation:
- Amy is eligible for and files for unemployment benefits from her state, which includes an extra $600 per week through July provided by the CARES Act
- The couple receives $2,400 stimulus check, plus $500 for each of their two small children
- They are no longer incurring childcare expenses, which frees up money that had been going to one of their largest monthly expenses

Actions taken:
- With social distancing in place, Brian and Amy cut their restaurant and take-out expenses sharply, and Amy finds new recipes for the family
- Brian and Amy remember they've saved extra money each month in their Health Savings Account (HSA), and will be able to use it to cover Brian's laser eye surgery medical bills from last month

A tough decision is to stop contributing to their children's 529 college savings plans for a few months. But the priority is for Brian to continue contributing to his employer-sponsored retirement plan and receive his company's match. They plan to resume contributing towards college savings after Amy goes back to work.

Outcome:
Brian and Amy made some adjustments and sacrifices to make their budget work — and found that they didn't need to take money out of their retirement account. Had they chosen, instead, to take a withdrawal in the amount of their stimulus payments ($3,400), their potential assets at retirement might have been more than $13,000 less at age 65. A larger withdrawal of $36,000 could have reduced their potential retirement savings even more by the time they attain age 65.

This hypothetical illustration assumes starting balances of $40,000, $36,600 ($40,000 minus a $3,400 withdrawal) and $4,000 ($40,000 minus a $36,000 withdrawal), no further contributions and a 7% annual effective rate of return. Hypothetical results are for illustrative purposes only and are not meant to represent the past or future performance of any specific investment vehicle. Investment return and principal value will fluctuate and when redeemed the investments may be worth more or less than their original value. Taxes are due upon withdrawal. If you take a withdrawal before age 59 ½, you may also be subject to an additional 10% federal tax. Note: The CARES Act temporarily modifies some of the tax provisions related to withdrawals for eligible plan participants whose employer-sponsored retirement plan adopts the Act’s distribution provisions.

Source: Calculations provided by the Chief Investment Office.
Jim and Sarah

Married, both 45 years old
Wages: Jim $35,000 and Sarah $50,000
Combined employer-sponsored retirement plan accounts balance $25,000
Both lose jobs due to the financial impact of the coronavirus. Jim is furloughed through August and Sarah loses her job due to her employer’s shutdown.

Situation:
• Both are eligible for and file for unemployment benefits from their state, both receive an extra $600 per week through July provided by the CARES Act
• The couple receives $2,400 stimulus check

Actions taken:
✓ Decide to use stimulus payment to repaint their laundry room, hang new shelving and buy a new washer/dryer set.
✓ After a few weeks, they decide to dip into their employer-sponsored retirement plan accounts and take a Coronavirus-Related Distribution (CRD) of $12,500, or half of their balance.

Jim and Sarah never took the time to put together a budget. They also didn’t look at ways to cut nonessential expenses or speak with lenders about adjusting their mortgage or credit card payments.
• Last year, Jim and Sarah depleted their emergency fund paying for a car repair. Unfortunately, they didn’t continue contributing to the emergency fund account afterwards, and never replenished the fund.

Outcome:
If Jim and Sarah had delayed their major purchase of a washer/dryer set and opted to continue using their still-functional appliances, and exhausted their options for adjusting their debt payments, they might have been able to avoid taking $12,500 out of their employer-sponsored retirement plan accounts. Their decision could have a big impact on their retirement balance over time. Unless Jim and Sarah repay the distribution (along with an additional sum to make up for the lost growth) to their retirement plan within three years from the date of distribution, at retirement their withdrawal of $12,500 could result in $48,300 less in potential retirement savings. A larger withdrawal of $22,500 could reduce their potential retirement savings even more by the time they attain age 65.

Potential growth of $25,000 at age 65

<table>
<thead>
<tr>
<th>Age</th>
<th>No withdrawal</th>
<th>with $12,500 withdrawn</th>
<th>with $22,500 withdrawn</th>
</tr>
</thead>
<tbody>
<tr>
<td>45</td>
<td>$0</td>
<td>$5,700</td>
<td>$12,700</td>
</tr>
<tr>
<td>50</td>
<td>$48,400</td>
<td>$60,000</td>
<td>$69,700</td>
</tr>
<tr>
<td>55</td>
<td>$96,700</td>
<td>$100,000</td>
<td>$120,000</td>
</tr>
</tbody>
</table>

This hypothetical illustration assumes starting balances of $25,000, $12,500 ($25,000 minus a $12,500 withdrawal) and $2,500 ($25,000 minus a $22,500 withdrawal), no further contributions and a 7% annual effective rate of return. Hypothetical results are for illustrative purposes only and are not meant to represent the past or future performance of any specific investment vehicle. Investment return and principal value will fluctuate and when redeemed the investments may be worth more or less than their original value. Taxes are due upon withdrawal. If you take a withdrawal before age 59 ½, you may also be subject to an additional 10% federal tax. Note: The CARES Act temporarily modifies some of the tax provisions related to withdrawals for eligible plan participants whose employer-sponsored retirement plan adopts the Act’s distribution provisions.

Source: Calculations provided by the Chief Investment Office.
Situation:

• Jorge is eligible for and files for unemployment benefits from his state and receives an extra $600 per week through July provided by the CARES Act.

Actions taken:

✓ Negotiate with credit card companies to lower fees and interest for three months on their $15,000 of credit card debt
✓ Cancel expensive cable package and decide to use streaming services only
✓ Decide to hold off on their planned new car purchase
✓ Reallocate entertainment and vacation budget to cover essentials over the short-term

At 62 years old, Jorge is eligible for Social Security and decides that even though it’s earlier than he planned, he’ll retire now. With careful budgeting of his unemployment benefits, he manages to defer Social Security for a few more months while Anita continues to work. They don’t plan to take any retirement plan withdrawals until Anita is 65.

• The coronavirus pandemic has made them think about their essential estate planning documents and advance healthcare directive, and they decide to use this time to get their affairs in order.

Jorge considers withdrawing $40,000 from his employer-sponsored retirement plan account—but chooses not to.

Outcome:

Anita and Jorge’s decision to rework their budget and reallocate their resources to their essential needs has saved them from resorting to taking a Coronavirus-Related distribution (CRD) from either of their employer-sponsored retirement plan accounts. They could have used $40,000 from their plan accounts to help fund the new car, pay off more of their credit card debt, and avoid taking early Social Security benefits. But now that retirement is not too distant, they wanted to make their retirement savings a priority. The figure below shows the potential devastating impact that withdrawals can have on their retirement savings — but their choice left their retirement savings intact. A larger withdrawal of $72,000 could have reduced their potential retirement savings even more.

```
<table>
<thead>
<tr>
<th>Retirement savings</th>
<th>57</th>
<th>58</th>
<th>59</th>
<th>60</th>
<th>61</th>
<th>62</th>
<th>63</th>
<th>64</th>
<th>65</th>
</tr>
</thead>
<tbody>
<tr>
<td>No withdrawal</td>
<td>$0</td>
<td>$50,000</td>
<td>$100,000</td>
<td>$150,000</td>
<td>$200,000</td>
<td>$250,000</td>
<td>$300,000</td>
<td>$350,000</td>
<td>$392,100</td>
</tr>
<tr>
<td>with $40,000 withdrawn</td>
<td>$130,000</td>
<td>$180,000</td>
<td>$230,000</td>
<td>$280,000</td>
<td>$330,000</td>
<td>$380,000</td>
<td>$430,000</td>
<td>$480,000</td>
<td>$529,100</td>
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<tr>
<td>with $72,000 withdrawn</td>
<td>$168,400</td>
<td>$218,400</td>
<td>$268,400</td>
<td>$318,400</td>
<td>$368,400</td>
<td>$418,400</td>
<td>$468,400</td>
<td>$518,400</td>
<td>$568,400</td>
</tr>
</tbody>
</table>
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This hypothetical illustration assumes starting balances of $170,000, $130,000 ($170,000 minus a $40,000 withdrawal) and $98,000 ($170,000 minus a $72,000 withdrawal), no further contributions and a 7% annual effective rate of return. Hypothetical results are for illustrative purposes only and are not meant to represent the past or future performance of any specific investment vehicle. Investment return and principal value will fluctuate and when redeemed the investments may be worth more or less than their original value. Taxes are due upon withdrawal. If you take a withdrawal before age 59½, you may also be subject to an additional 10% federal tax. Note: The CARES Act temporarily modifies some of the tax provisions related to withdrawals for eligible plan participants whose employer-sponsored retirement plan adopts the Act’s distribution provisions.

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