Loose Change®

a penny saved is a penny earned

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Avoid a Spending Hangover

The holidays are behind you, but chances are paying the bill is not. Starting the New Year with a thoughtful spending plan that makes sense, can help you make progress throughout the year. Include your entire family in the process, to help ensure they are on board with this goal.

Plan in Advance
Planning for holiday shopping should be part of your regular budget. Starting with last year's spending history, document necessary expenses such as mortgage, insurance, transportation, food, utilities, — and holiday gifts. Determine where you might be able to cut expenses. Subscriptions, dining out and convenience purchases, such as coffee should be considered. Then add savings goals and some disposable income. Be sure to save monthly toward holiday spending, so you won't have to rely on credit.

Track Every Dollar
Now work the plan. The key to successful budgeting is recording all your expenses. Choose a recording system that works best for you. Electronic methods, like a spreadsheet or bookkeeping software, will allow you to create reports to easily summarize your monthly and yearly progress. There are several online options, that can connect directly to your bank accounts. Choose a system that will be easy for you to stay faithful in updating your spending.

At the end of the day place all receipts in a designated space. Don't forget to hang on to receipts for cash purchases. Remember that creating a budget isn't very helpful if you don't track how much you spend. So regularly log your receipts to update your spending against your budget. Monitor your savings goals, too. You can update your records weekly or monthly and you'll be grateful for these routine updates at the end of the year when it's time to prepare next year's budget.

Get a Checkup
To increase your chances of success, scrutinize your progress each month—not any longer than that—and share what you've learned with family members. Together you can review where you could improve and encourage everyone to keep a lid on impulse spending. Staying on track will result in less stress and no spending hangover after the holidays next January!

Getting FIRE'd?

FIRE stands for Financial Independence, Retire Early. It's a financial movement growing in popularity as people seek to eliminate debt and build savings so they can retire earlier than usual.

Reduce
The first step in the FIRE process is to eliminate debt while cutting expenses. Start by scrutinizing how you spend your money to identify what expenses are unnecessary.

Increase
FIRE followers also look for ways to increase their income. Things like switching jobs for a significant pay increase, working side gigs or generating passive income from owning rental property add money toward the early retirement goal.

Invest
The last tenement of FIRE involves sound investing strategies. Start by maxing out retirement plan contributions. And if your employer offers a matching contribution, be sure you're saving at least the minimum amount to get the maximum contribution.

Organize for Tax Season

Another tax year is in the books and it’s time to get organized. Review the information you needed last year and consider any changes to your situation this year, so you can gather the appropriate documents to make filing your tax return easier.

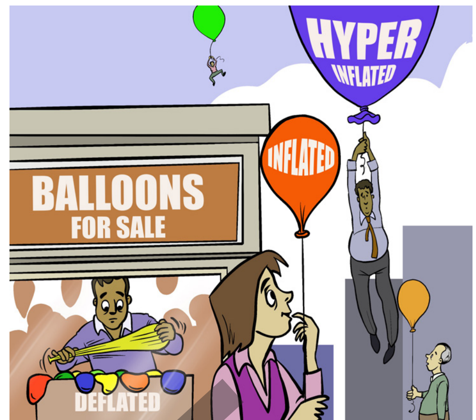
With high pandemic unemployment, you may have collected unemployment compensation for the first time and you should receive a Form 1099-G from your state. Both federal and state unemployment compensation is taxable as ordinary income.

And if you made at least a $300 cash donation to charity in 2020, under the CARES Act you’ll be able to claim a deduction even if you don’t itemize. Make sure you have written acknowledgment of your donation from the charity. Copies of cancelled checks or bank statements won’t satisfy IRS recordkeeping rules.

Remember you have until April 15, 2021 to make contributions to your IRA for 2020. You can contribute $6,000 if you’re under 50 and $7,000 if you’re 50 or over. Now is a great time to organize your financial and tax strategies for 2021.

Economics 101

With all the government stimulus packages in 2020 to help offset the impacts of the coronavirus pandemic, many economists are discussing what it all means for the U.S. economy in the short- and long-term. They use words like inflation, deflation, and hyper-inflation. We’ll explain what these terms mean.



Inflation

When too much money chases too few goods, we have inflation. Inflation happens when prices increase due to high demand and either a decrease in supply or a supply that doesn’t keep up with demand.

With the multi-trillion-dollar stimulus packages pumping money into the economy, this new infusion of cash could lead to an increase in demand. The excess money means more people are going to spend. Inflation can be slowed or avoided if the excess money is saved and not spent.

Inflation isn’t entirely bad unless it happens quickly creating hyper-inflation.

Hyper-inflation

When prices of goods and services increase significantly and quickly, hyper-inflation happens. This devalues currency and if severe, some people may trade other things of value instead of currency. This could be livestock, gold or other goods that are easily traded.

Hyper-inflation usually results when a government incurs financial or political stress. Wars and declining tax revenue are some of the culprits. Zimbabwe incurred famous hyper-inflation in the early 2000s where the government printed more and more money in an attempt to finance a war with the Congo and meet the demands of a high unemployment rate which decreased tax revenue and consumer demand.

Deflation

The opposite of inflation is deflation. This is when prices decrease usually due to excess supply of goods and a decreased demand for those goods. Deflation can also happen when there is a decrease in the money supply from a reduction of debt availability (banks aren’t lending or making it more difficult to obtain a loan) or when there is a cash outflow from an economy (investing in foreign markets instead of domestic investment).

While the U.S. economy remains healthy, understanding these basic economic principles you’ll now better understand what economists are saying.

Pay Off Your Debt

Paying off your debt is a liberating feeling. If your New Year’s resolution is to become debt-free, consider using one of these debt payoff strategies to achieve your goal.

Snowball

The snowball payoff method involves paying off your smallest balance first. Start by paying the minimum on all but the smallest balance on which you’ll pay as much as you can afford until it’s paid in full. Then roll that amount you were paying into the next debt on your list.

Avalanche

The avalanche method is similar to the snowball method but has a different focus. The goal is to pay the least amount of interest. Whereas the snowball method doesn’t consider interest rates when prioritizing debts, the avalanche method works to pay off the debt with the highest rate first. Make your list of debts and include the interest rates for each one. You’ll use the same payment strategy as with the snowball method, except you’ll pay off debt with the highest interest rate first.

Consolidation

Debt consolidation works to combine multiple debts into one. Generally, debt consolidation aims to reduce your monthly payment and may or may not decrease your interest rate. If you’re considering debt consolidation, be sure to calculate the total interest you’ll pay under the new loan versus the old rate.

Which Team Player Do You Need?

Do you need a CFO, a controller, an accountant or a bookkeeper to manage your business's financial matters? Hiring the right person for the job will help save you time and money.

Chief Financial Officer
Forward looking financial projections are the job of the CFO. They will project future revenue amounts and forecast expenses and business needs. They will also project cash needs and help make investment decisions based upon those needs.

If you're considering launching a new project, such as expanding into international markets or seeking new investors, it may be time to hire a CFO. A good rule of thumb is if your business has reached the $1 million in annual revenue, hiring a CFO makes sense. But if your business isn't ready for a CFO, accounting staff may help.

Controller
Controllers are typically Certified Public Accountants who review financial statements and help with financial compliance. This might entail monthly reports for a lender or investors and completing tax returns.

Without a CFO, your controller becomes your finance leader. And as an accountant, a controller looks backwards at what's already happened to complete financial statements. If your business has investors or owners who aren't friends or family, hiring a controller could be a sound business choice.

Accountant
An accountant can help you with reconciling accounts and preparing basic financial statements. They usually have a four-year degree in accounting and are able to run the day-to-day operations of an accounting department. If your bookkeeper is overwhelmed, an accountant can help share the work and provide support to the bookkeeper.

Bookkeeper
Bookkeepers are the financial workhorse of any business. They will record all your financial transactions, issue invoices and pay your bills. They understand the basics and help keep your business running smoothly.

If you're the business owner and struggle to keep up with your finances, it may be time to hire a bookkeeper. Bookkeepers are often the first financial professional a company hires and as your business grows, you can add to your team.

Credit Card Lures

Credit card companies attract new customers with enticing offers. If you've recently received an offer, beware of these pitfalls.

- **0% Interest Rates**
  That 0% interest rate may be for a limited time so if you fail to pay the entire principal balance by the end of the introductory period, you'll be charged interest.
- **Sign-on Bonuses**
  Often a bank will offer a cash sign-on bonus if you make certain purchases. Maybe you'll have to spend $2,000 in the first three months. However, the bank is counting on you not paying the balance in full so they can collect interest. Any sign-on bonus you receive may be less than the interest you pay.
- **Annual Fees**
  Many of the points, miles or cash back cards have an annual fee. While it might be tempting to get that card with 2% cash back on every purchase, you'll need to spend $4,750 each year to earn enough cash back to cover the cost of a $95 annual fee.

Minimum Payment Calculator

Credit card balances are expensive. Consider how much a $1,000 purchase on a credit card charging 20% interest will ultimately cost you and how long it will take to pay it off.*

MONTHLY PAYMENT	NUMBER OF PAYMENTS	TOTAL COST
$25	127 Months	$2,197.08
$50	60 Months	$1,417.95
$100	32 Months	$1,185.47

**This is a hypothetical example. It is not representative of any specific investment strategy or combination of investment strategies. Actual results may vary.*
https://www.bankrate.com/calculators/credit-cards/credit-card-minimum-payment.aspx

Payroll Taxes

Sole proprietors who decide to add employees need to understand payroll taxes.

Federal Taxes

Both you and your employee must pay 6.2% for Social Security and 1.45% for Medicare tax. As an employer, you'll pay the federal unemployment tax which is 6% on the first $7,000 of each employee's earnings. For high earning employees, you must withhold the Additional Medicare tax which is 0.9% of wages in excess of $200,000 in a year. Also, effective January, 2021, the Social Security tax will be collected on wages up to $142,800, up from $137,700.

Based upon your employee's Form W-4 inputs, you'll need to withhold federal income tax from their wages. The amount to withhold depends on things like tax filing status, number of dependents and whether the employee has multiple jobs.

State Taxes

If your employees complete work in a state with state income tax, you'll need to withhold this tax from their wages. Most states require the employer to pay a state unemployment tax. Keep in mind some states also require employees to pay the state unemployment tax so this may need to be withheld from your employee's paycheck.

Lastly, some cities, towns, and other local governments impose a payroll tax.

Mind the Gap

If you're looking for a steady source of income before you start collecting Social Security, consider an annuity* to fill the gap.

Immediate Need

Whether you're planning to retire soon or recently retired, delaying when you begin collecting Social Security can potentially increase your monthly payout. Each year you wait increases your monthly payment by 8%.

To fill this time gap, consider purchasing an immediate annuity. The regular annuity payments can delay the need to draw on your retirement funds for your day-to-day expenses. An immediate annuity begins paying you immediately, as opposed to a deferred annuity which starts paying you at a future date. Depending on your situation, you can purchase annuities that pay over the period of time you need. If you retire at age 62 but want to wait until age 70 to begin collecting Social Security, you can purchase an eight-year annuity that will provide monthly payments until you reach age 70.

Consider Inflation

When determining how much monthly income you'll need to fill the Social Security gap, don't forget to factor in inflation. It's easy to overlook. Today's monthly $1,000 annuity payment won't have the same buying power in five years. Consider adding a cost of living rider** to your annuity that will boost your payment in line with changes in the Consumer Price Index.

By locking in income now, you'll avoid the possibility of having to sell your retirement holdings in a down market.

**Fixed annuity contracts guarantee a minimum credited interest. For immediate fixed annuity contracts, annuitants receive a fixed income stream based, in part, on the interest rate guarantee at the time of purchase. Annuity products are not FDIC-insured, and their contract guarantees are backed solely by the claims-paying ability and strength of the issuing life insurance company. Withdrawals prior to age 59½ may result in a 10% federal tax penalty, in addition to any ordinary income tax.*

***Riders may incur an additional premium. Rider benefits may not be available in all states. Riders that pay benefits for events other than death will likely reduce the policy's death benefit and cash value.*

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ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

October 29, 2020

Reference: **FR2020-0922-0070/E**

Org Id: 20999

1. Loose Change JanFeb 2021

   Rule: FIN 2210
   6 Pages

The communication submitted appears consistent with applicable standards.

Reviewed by,

David Y. Kim
Associate Principal Analyst

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Please send any communications related to filing reviews to this Department through the Advertising Regulation Electronic Filing (AREF) system or by facsimile or hard copy mail service. We request that you do not send documents or other communications via email.

***NOTE:** We assume that your filed communication doesn't omit or misstate any fact, nor does it offer an opinion without reasonable basis. While you may say that the communication was "reviewed by FINRA" or "FINRA reviewed," you may not say that we approved it.*

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