Loose Change®

a penny saved is a penny earned

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Moves to Make Before Year's End

Before you close the book on 2021, give yourself a head start on 2022. A year-end review of your portfolio and insurance can help ensure your investments are in line with your goals and your risks are properly covered for the new year.

Rebalance Investments
You chose your investments based on your risk tolerance and time frame. But market ups and downs can change your asset allocation and risk exposure. Rebalancing your portfolio at the end of the year can return your asset mix to your desired allocation.

Review Your Plan Contributions
Make sure you're contributing as much as possible to your company's retirement plan, or at least enough to take full advantage of any employer matching funds. Then review how your funds are invested. Swap funds if necessary to align with your goals.

Consider Losses
Selling individual stocks that have lost value since you acquired them allows you to offset taxable capital gains on stocks you've sold at a profit and up to $3,000 of ordinary income in the year of the sale. Any additional losses can be carried over for deduction in future years. Keep in mind that the wash-sale rule prevents you from deducting losses if you purchase the same or similar securities within 30 days of the sale.

Be Charitable
Consider making next year's charitable contributions before year's end to get a charitable deduction on this year's tax return. Gifts charged to a credit card by December 31 will qualify for the deduction, and your card won't be billed until January.

Bunch Expenses
Moving elective medical and dental procedures from 2022 to this year may allow you to exceed the adjusted gross income (AGI) threshold for deduction on your 2021 tax return. To be deductible, medical expenses must exceed 7.5% of your adjusted gross income.

Take Your RMD
If you're age 72 or older, make sure you take any required minimum distributions (RMDs) from your retirement accounts. Failure to take an RMD by December 31 could subject you to a penalty of 50% of the amount you should have withdrawn, but didn't.

Make an appointment with your financial professional to implement strategies that will keep your finances on the right track.

Be a Grocery Grinch

Holiday grocery shopping can destroy your food budget in the blink of an eye. Save at the supermarket with these timely tips.

- Plan your menus so you're buying only the items you'll need for holiday meals and gatherings.
- Take inventory of the ingredients you already have.
- Check store flyers to see if any items you need are on sale.
- Use coupons.
- Create a shopping list and strictly follow it.
- Shop at multiple stores to get the lowest prices.
- Score free food. Stores often have promotions around the holidays offering a free item when you spend a certain amount within a specified time frame.
- Drugstore chains sometimes have great deals.

Beneficiaries: Still the Ones?

Beneficiary designations name the person or persons who will receive the life insurance or retirement account proceeds upon your death.

Life events, such as divorce, remarriage, deaths, or births can all trigger the need to change beneficiary designations. Why? Beneficiary designations supersede any instructions in your will. If you fail to change a beneficiary, the original beneficiary you designated will receive the proceeds — even if you've named someone else in your will to inherit the account.

New Faces

As time goes on, you may want to name grandchildren as contingent beneficiaries. Contingent beneficiaries will receive the account proceeds if the primary beneficiary dies with you or before you. Alternatively, you might want to support a charity using life insurance proceeds.

Avoid Unintended Consequences

Let's say your children are equal beneficiaries of your account, but what if one of your children dies before you? Under *per capita* distribution, your remaining children will share the account proceeds, potentially leaving the deceased child's own children (your grandchildren) with nothing. By specifying *per stirpes* distribution instead, a deceased child's share will go to his or her children.

Your Year-end Business Plan

If you own a small business, reducing your 2021 tax bill and planning for a successful new year should be on your radar as the current year draws to a close.

Check Your Records

Start by making sure your books are accurate and up to date. Consult your tax professional to resolve any questions you have before tax season arrives, so you're not left trying to sort things out at the last minute. Reviewing both your income statement to get a handle on profits and losses and your cash-flow statement to see how money was spent can help you plan for next year.

Defer Income

One way to lower this year's tax bill is by deferring income to the beginning of 2022. This tactic makes sense, especially if you expect your income to be less next year.

Increase Deductions

Purchasing supplies in advance and upgrading equipment before the end of the year may help you maximize deductions on your 2021 return, assuming you pay for them before year's end.

Consider Your Work Space

If you're self-employed or work from home and have a dedicated space for conducting business, you may be eligible to take the home office deduction. Rules for claiming the deduction are specific, so consult your tax advisor.

Deduct Bad Debt

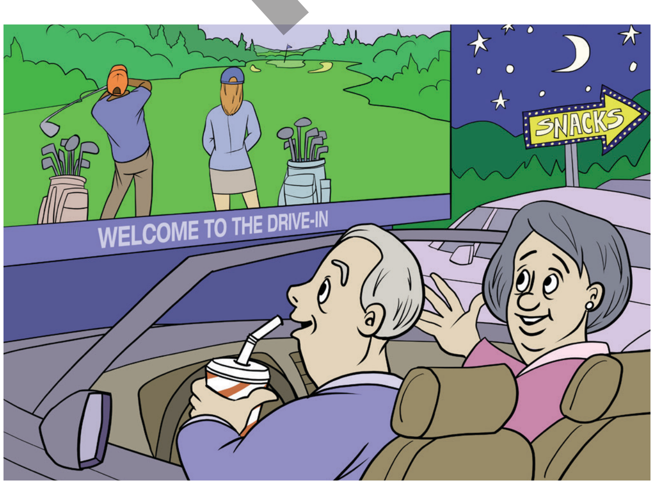
On occasion, your business may have customers who have not paid you for goods or services within a reasonable period. If you have unpaid invoices and no reasonable expectation of payment, you may be able to deduct the debt on your tax return.

Revisit Your Goals

If your goals fell short of your expectations in 2021, determine the reasons. Then think about the steps you can take in the new year to position your company to thrive.

The Big Picture

Attention business owners: As you work with your financial and tax professionals to plan for your business, consider what you need to do to stay on track with your personal finances, too.



Start with Your Goals

Think about what you'd like to accomplish in the coming year. Once you've defined your goals, find a balance between investing in your business and allocating money toward your personal financial plan.

Build a Bigger Emergency Fund

Because any business can have an off year, it's essential to maintain adequate personal reserves to weather a downturn. While the rule of thumb is to have at least six months' worth of expenses saved in a cash account, business owners may want to exceed that amount.

Plan for the Future

A buy-sell agreement funded with life insurance can help transfer your interest in the business to a partner or family member, while providing liquidity for your heirs.

Inflation: Retirement's Nemesis

Thinking about retirement can bring with it some mixed emotions. While you may be looking forward to leisure time, you may also have some concerns about whether you'll have enough money to live the life you want without a steady paycheck. Creating a realistic spending plan is essential, as is planning for economic changes.

Inflation Is Inevitable

Inflation — an increase in the prices of goods and services — makes it more expensive to buy food, drive a car, and heat and cool your home. Over time, even low inflation can erode your retirement savings. So, as you create your retirement spending plan, account for rising prices in your budget.

Location Makes a Difference

Housing, food, and even gas prices may vary depending on where you live in retirement. Rising prices can affect rents, association fees, and property taxes. While you can't control inflation, you can be realistic about living costs before you decide whether to move or stay put.

Don't Forget Health Care Costs

Health care could be one of your biggest expenses in retirement. Even if you're relatively healthy now, your medical expenses are likely to increase as you age. If you're eligible, consider saving money in a Health Savings Account (HSA) or Health Reimbursement Account (HRA) to pay future health care costs.

Be Proactive

Investments that are less affected by inflation is a good place to start.

- Buy stocks from some economic sectors, such as energy and consumer staples (household goods, food, hygiene products, etc.), which have historically performed better than others during periods of rising prices.
- Treasury Inflation-Protected Securities (TIPS) are indexed to inflation. As inflation rises, the principal increases (or decreases with deflation). Interest payments based on the principal are made twice a year. Investors receive either the adjusted principal or the original principal at maturity.
- Another possible hedge against inflation is real estate, which tends to increase in value and if leasing your property, rent increases may make sense.

Your financial professional can help you design a retirement savings and spending plan to help counteract inflation.

Spend Less for a Jollier Holiday

It doesn't take much to overspend when the holidays roll around. But, after the presents are opened and the wrapping paper disposed of, your own "gifts" could be a pile of bills and buyer's remorse. With a little planning and a dose of self-discipline, you can enjoy the holidays debt free.

Set Limits — and Stick to Them

Don't spend a single cent until you have a budget in place. Whether you set aside a pool of money to spend on all gifts or assign a spending limit for each person, decide on your budget before you hit the mall or the computer.

Cash Is King

Leave your charge cards at home and use cash when you're shopping at retail stores. This helps prevent overspending. And, before you shop, come up with gift ideas for every person on your list.

Curb Your Enthusiasm

Shopping for specific items online allows you to easily compare prices at different websites and reduces the temptation to buy extras that aren't on your list. If you pay online with a credit card, subtract the amount from your budget, and remember to pay off the balance when you get the bill.

Holiday Tipping Guide: A Refresher

Tipping during the holidays is a nice way to show your appreciation to service providers for all they do for you during the year. Here are some general guidelines.

$10-$30
Newspaper Carrier
Trash Collector

$10-$50
Parking/
Garage Attendant

$20
Mail Carrier
Mechanic

Cost of One Visit/Session
Hairstylist/Manicurist
Housekeeper
Massage Therapist
Personal Trainer
Pet Groomer

One-to-Two Night's Pay
Babysitter

One-Week's Pay
Dog Walker

$20-$70 Per Person
Daycare Staff

One-Week's to One-Month's Salary
Caregiver

Surprise — It's Taxable!

It's almost that time of year when you and the IRS have to settle up what you owe — or what the government owes you. Before you prepare your tax return, consider whether you'll need to include any of the taxable items listed below.

- Social Security benefits
- Unemployment benefits
- Portion of a scholarship that covers expenses other than tuition, fees, and books (e.g., room and board, travel, etc.)
- Canceled debt from credit cards, car loans and mortgages (Student loan debt is exempt.)
- Honors with cash prizes
- Certain alimony payments
- Gambling winnings (from lotteries, horse racing, casinos, sports betting, etc.). Some losses are deductible if you itemize.
- Gifts from an employer that reward an employee for services or help promote the company
- Found property
- Bartered property or services in lieu of cash

Consult your tax advisor to determine which items you should include when preparing your income tax return.

Don't Forget to Do This!

Reviewing whether you've taken full advantage of your insurance benefits this time of year is something that is important, yet many forget to do it. Take a few minutes to consider these money-wise moves.

Health Insurance

If you've met your annual deductible for 2021, arrange to schedule medical tests, doctor visits, or elective surgery by year's end, before your deductible resets in the new year.

Dental Insurance

Dental plans generally have a maximum coverage amount. If you need dental work beyond preventive visits, such as fillings, crowns or a root canal, have the procedures done before the end of the year. That way, your full 2022 benefit will be available to you, should you need additional dental work.

Flexible Spending Account (FSA)

An FSA allows you to use pre-tax money to pay for a variety of health care expenses, including copays, prescription drugs, glasses and contact lenses, and other health-related costs. For 2021, federal guidelines allow contributions of up to $2,750 in an FSA, thus reducing your taxable income by the contributed amount. If you have money left in an FSA, remember to use it by December 31, or by the end of your plan's grace period, if any.

Health Savings Account (HSA)

If you're covered by a high-deductible health plan (HDHP), you're able to set aside pre-tax dollars in an HSA to pay health-care expenses, such as deductibles, copays, co-insurance, and other health-related costs. Contribution limits for 2021 are $3,600 for self-only coverage and $7,200 for family coverage. Individuals age 55 and older can contribute an additional $1,000. Contributions to an HSA reduce your taxable income for the year, so fund your account before year's end to take advantage of the tax savings.

Charitable Donations with Life Insurance

You can take a charitable contribution tax deduction for the cash value and any premiums you pay on a life insurance policy you donate to charity. You can take out a new policy in the name of the charitable organization or transfer ownership of an existing policy. Alternatively, policy dividends that you receive in cash and donate to a charity are deductible but may reduce the policy's death benefit.

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ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

August 11, 2021

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1. Loose Change Newsletter NovDec 2021

   Rule: FIN 2210

The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Principal Analyst

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