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## Online Advisor – July 2025

### Upcoming dates:

#### July 4

- Independence Day

#### July 20

- National Ice Cream Day

#### July 27

- Parents' Day

Our tax rules have always been a bit of a maze – complex, cryptic, and full of fine print. And yet, certain topics keep popping up over and over again. In this month's newsletter, we provide answers to some of the most common tax questions.

Also read about how custodial accounts can be a great way to teach kids about saving and investing if you understand the trade-offs, creative ways to cut your grocery bill, and a deeper look into the power of influence.

Please pass this information on to anyone that may find it useful and call if you have any questions or concerns.

## Common Tax Questions

### *What everyone is wondering*

Here are several of the most common tax questions and their answers. But like most things, there can be exceptions, so if in doubt always ask for help.

- **What happens to a loan if it's forgiven?** The IRS generally considers the canceled amount as taxable income, unless an exception applies. This means you may have to report the forgiven debt on your tax return and pay income taxes on it. Lenders typically issue a Form 1099-C for canceled debts, which you must include on your tax return.
- **Does my child need to report cash earned from a lemonade stand?** Yes, the cash your child earned for helping a neighbor is taxable. The IRS doesn't care if it came from mowing lawns, babysitting, or lemonade stands, earned income is earned income. Your child may not end up owing any income taxes, though, thanks to the single taxpayer standard deduction of \$15,000 in 2025. But they'll still be on the hook for Social Security and Medicare taxes.

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- **Are my rewards earned on a credit card taxable?** Taxation of any extras you earn with a credit card – including miles, discounts, even cash back – are not taxable if you had to pay to get them. Other rewards that you receive, for example a reward for signing up for a card or for referring a new cardholder, are considered taxable income per the IRS.
- **Does my employer contribution count towards the 401(k) limit?** Your employer's matching contributions do not count toward your maximum contribution limit, which for this year is \$23,500. If you're 50 or older, you can sock away an additional \$7,500 (for a total of \$31,000) this year.
- **What happens to loans from my retirement account if I change jobs?** When you switch jobs, you must pay back any loans borrowed from your employer-sponsored retirement account within a short amount of time. If the loan isn't paid back, the outstanding balance is considered a distribution that is subject to income taxes and an early withdrawal penalty.
- **Do I really need to report gifts given to people?** Yes, but only if you give more than \$18,000 (\$36,000 if married) in 2025 to any one person. It must be reported to the IRS on a gift tax return. That's because the IRS keeps track of gifts you're allowed to make over the course of your lifetime, which in 2025 is \$13,990,000 (\$27,980,000 if married). Only after reaching this lifetime dollar amount will you need to actually make a gift tax payment.
- **Do I have to report a loss?** You may think the IRS isn't interested in losses you incur, such as when you sell a stock at a loss or if your business loses money. The reality is that you should always report losses on your tax return because you can use them to offset income under certain conditions. In addition, most losses can be carried forward to future years to offset income.

## **Custodial Accounts for Kids: Understanding the Trade-offs of This Great Teaching Tool**

Many parents rely on piggy banks and birthday cash to teach kids about money. But more are now turning to custodial accounts – a hands-on way for children to learn about saving and investing. While these accounts offer great learning opportunities, they also come with several trade-offs worth planning for.

### **What you gain by using custodial accounts**

Custodial accounts are managed by a parent or grandparent until a child turns 18 or 21 (depending on the state). There are two primary types of accounts:



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- UGMA (Uniform Gifts to Minors Act) - only basic assets are allowed, such as cash, stocks, bonds, mutual funds and ETFs
- UTMA (Uniform Transfers to Minors Act) - also allows other types of assets, such as real estate, art, and intellectual property

In addition to providing children a way to learn the basics of saving and investing, here are several other advantages of using custodial accounts:

- **Simple and accessible.** Easy to set up at most banks and brokerages.
- **Potential tax benefits.** A portion of your kids unearned income is taxed at the child's lower tax rate.
- **No contribution limits.** Custodial accounts don't cap how much you or your child can contribute to the account.
- **Flexibility.** The account's money can be used for anything that benefits your child, not just education.

While custodial accounts can be great for teaching kids about money, they do come with several trade-offs you'll need to consider.

### **Trade-off #1 : The Kiddie Tax**

Custodial accounts can trigger something called the kiddie tax. Here's how it works.

In 2025, the first \$1,350 of your child's unearned income is tax-free. The next \$1,350 is taxed at your child's tax rate (usually no more than 12%). Any unearned income above \$2,700 (\$1,350+ \$1,350) is taxed at the parents' rate, which can be as high as 37%!

***What to do instead:*** If your child has earned income, a Roth IRA for minors offers tax-free growth and avoids the kiddie tax entirely.

### **Trade-off #2: Impact on Financial Aid**

Custodial accounts are counted as a child's asset on the Free Application for Federal Student Aid (FAFSA). Student assets are assessed at a much higher rate (20%) than parent assets (5.64%). This means that \$10,000 in a custodial account can reduce financial aid eligibility by \$2,000 or more.

***What to do instead:*** If you're saving for college, consider a 529 plan. The account owner retains control, the funds grow tax-free, and qualified withdrawals are tax-free as well. Plus, 529 plans are treated more favorably in financial aid calculations.

### **Trade-off #3: Loss of Control**

Once the child comes of age, they can spend the money however they want. If your goal was to fund education but your 18-year-old wants to buy a motorcycle instead, you're out of luck.



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***What to do instead:** Spread your child's earned income around multiple types of accounts. Put some in a 529 plan or other education account. Contribute another amount to a traditional or Roth IRA in the child's name. And make a deposit into a custodial account that your child can (eventually) do whatever they want with.*

## **Bottom Line**

Custodial accounts still have their place, especially for general-purpose savings or teaching financial responsibility. But it's important to understand the trade-offs and long-term implications.

## **Creative Ideas to Cut Your Food Bill (No Ramen Required)**

You don't need to survive on sodium-packed ramen or become a full-time coupon clipper to shrink your grocery bill. In the age of rising food prices and shrinking portions, here are several ways that smart shoppers are turning grocery shopping into a game – and winning.

- **Start with a reverse meal plan.** Instead of planning meals and then shopping for ingredients, try the opposite: start with what's already in your pantry, refrigerator, and freezer. Build your meals around these forgotten food items.
- **Create a Use-It-Up week.** Dedicate one week each month to eating through your fridge and pantry without buying anything new except for essentials like milk or eggs. Challenge yourself to get creative – stir-fry leftover vegetables, toss beans into soups, and reinvent last night's dinner into today's lunch.
- **Shop with a theme.** Theme your weekly shopping trip around one protein or main ingredient that's on sale. For example, if ground turkey is discounted, plan meals like chili, tacos, and lettuce wraps that all use it in different ways. This tactic keeps meals fresh without requiring a long, expensive list of ingredients.
- **Think bulk, but strategically.** Buying in bulk doesn't always save money—especially if food goes to waste. But there are staples where bulk pays off: oats, rice, dried beans, pasta, nuts, and spices. If you're short on storage or cash, consider splitting bulk purchases with a friend or family member. This lets you access better prices without overcommitting.
- **Switch from brands to ingredients.** Instead of buying pre-packaged items like pancake mix, salad kits, or frozen dinners, shift toward base ingredients. A 5-pound bag of flour costs about the same as one box of mix—and it makes dozens of batches. Salad kits are convenient, but chopping your own greens and mixing a quick vinaigrette costs half as much and takes just a few minutes. Prepped ingredients save time but often cost double.



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- **Use the freezer as your budget ally.** Your freezer is more than a storage space—it's a money-saving tool. Freeze leftovers before they spoil, store bread and meats bought on sale, and portion out soups and stews for future meals. You can also freeze perishable items like herbs (in olive oil), overripe bananas (for baking), or grated cheese.
- **Eat what's in season (locally).** Seasonal produce is cheaper and tastier, as out-of-season items are often imported and marked up. Shopping at local farmers markets or joining a community-supported agriculture group can connect you to fresh food at a better price.
- **Set a weekly grocery challenge.** Turn saving into a sport. Set a dollar limit for your weekly trip, challenge yourself to make five dinners from under 10 ingredients, or cook a zero-waste week where you throw nothing out.

You don't need extreme measures to cut your grocery bill. With the right mix of planning, creativity, and smart habits, you can keep your kitchen stocked and your wallet happy.

## Becoming What We See and Hear: The Quiet Power of Influence

We like to think we're in control of our decisions. But the truth is, much of what we do is shaped by influence – often subtly, sometimes blatantly – through what we see, hear, and experience every day. Here's a deeper look at the power of influence.

### Visual cues shape perception

Visuals are powerful. Marketers know this instinctively. That's why packaging is designed down to the last pixel and influencers carefully curate their posts to appear natural yet highly appealing.

But it goes beyond consumer behavior. Seeing certain body types in media over and over influences how we perceive attractiveness. Constant exposure to violence in TV shows and games can desensitize us. Even the layout of a grocery store is designed to steer us subtly: essentials in the back, impulse buys in the checkout lane. It's not mind control—it's a form of subtle influence built into our surroundings.

### Sound sends the signals

Sound is another strong current of influence. Music shifts moods. A song can trigger nostalgia, change the tone of a scene, or set the stage for what's to come. Ever wonder why restaurants play slow music at dinner time? It encourages patrons to relax, stay longer, and order more.

Beyond music, there's voice and language. The way someone says something can matter more than what they're saying. Politicians, public speakers, even YouTubers train their tone and pacing to gain



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trust. The rhythm of speech, the warmth in a voice, or a confident pause—these details shape how we respond emotionally and psychologically.

### **Social proof: The herd instinct**

One of the strongest influences on human behavior is other humans. Social proof is the phenomenon where people copy the actions of others to reflect correct behavior. If a product has 5,000 five-star reviews, we trust it more. If everyone's sharing the same viral video, we click on it, too.

It's not weakness – it's wiring. Humans are social animals. Belonging matters. Fitting in helped our ancestors survive. That instinct still plays out in modern settings, from what we wear to what causes we support.

### **Algorithms know how we tick**

Technology has supercharged influence. Algorithms don't just guess what we want, they shape what we see next. Personalized feeds filter our reality. You see more of what you engage with, which reinforces your views, biases, and habits. It's not just about giving us what we like...it's designed to keep us watching, clicking, and buying.

### **Awareness is the first defense**

The solution isn't to avoid influence, but rather to recognize it. Influence is part of being human. It helps us learn, adapt, and connect. But unchecked, influence can steer us in directions we never actively chose.

We can't control every input, but we can control our filters. Ask: Why do I believe this? Who benefits if I act on this? Does this feel true, or is it just familiar?

Media literacy, critical thinking, and mindfulness are tools we all need. Influence isn't going away. But with awareness, we can take back some of the control we lose when we let everything around us *decide* for us.

## **From Chaos to Covered: Your Family's Financial Emergency Blueprint**

Building and reviewing an emergency plan can help your family know what to do in a crisis – especially if the next one is financial. Here's how to create your own family financial emergency plan, stress-test your budget, and build a great financial foundation.

**Step 1: Assess your current financial situation.** Start by gathering the following information:

- Income sources. Document all incoming money, including salaries, wages, side gigs, and passive income.





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- Fixed expenses. These are expense you pay at consistent intervals, such as your rent or mortgage, utilities, insurance, or internet access.
- Variable expense. This includes items like groceries, gas, and entertainment.
- Discretionary spending. These are the nice-to-have but not necessary expenses such as shopping, hobbies, and certain subscriptions.

**Step 2: Simulate a job loss or income cut.** Next, simulate a scenario where one or both income earners lose their jobs or face a significant pay cut. Ask the following questions:

- How long can you continue meeting essential expenses?
- What would be your first financial response? (cutting discretionary spending or using savings)
- What resources are available? (emergency fund, severance, unemployment benefits)

Now rebuild your budget assuming this new, lower income level. Prioritize essential categories such as housing, food, utilities, & healthcare. This exercise help you pinpoint which expenses can be eliminated or reduced.

**Step 3: Build an emergency fund.** Financial experts recommend saving 3 to 6 months' worth of living expenses. If this amount feels out of reach, aim for one month of essential expenses and build from there.

**Step 4: Identify candidates for cutbacks.** Pinpoint which expenses you could immediately pause or cancel in a crisis. Then develop a cutback plan in writing. This becomes your go-to response plan, allowing you to act quickly with no emotion or debate.

**Step 5: Create an income recovery strategy.** Increasing your income can speed up recovery. Brainstorm income replacement options in advance such as side hustles or freelance work; gig economy jobs like ride sharing, delivery, or tutoring; selling unused items online; accessing short-term assistance programs; tapping into a professional or industry network for job leads.

**Step 6: Practice communication and assign roles.** While creating your financial emergency plan, bring your family together and assign roles:

- Who handles bills and payments?
- Who checks into benefits and aid?
- How will you explain the situation to children in age-appropriate ways?

**Step 7: Review and repeat.** Your financial emergency plan isn't a one-time task. Schedule reviews every 6 to 12 months or after any major life event like a new job, having a baby, or moving.

Creating a family financial emergency plan doesn't guarantee immunity from hardship. But it does provide clarity, direction, and peace of mind. It also ensures that when the unexpected happens, you're not starting from scratch.



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## Reputation Rescue: Smart Ways to Handle Bad Business Reviews

A negative online review can be frustrating, especially when you work hard to provide a great product or service. How you respond to the negative review, though, may matter more than the review itself. Here are several ideas for handling this type of feedback and how it could actually turn into a great opportunity to showcase your business.

**The best defense is a great offense.** You don't have to address negative reviews if you never have them in the first place. Proactively identify possible negative experiences and encourage customers to respond directly to you to resolve their issues.

**Know your dissatisfied reviewer.** Before responding, conduct research on the customer. Are they habitual complainers? Online forums have created many of these types of customers. On the other hand, people easily get frustrated with poor service and are simply at their wit's end. It's important to know the difference.

**Fix the problem!** When you get a negative review, identify the customer and contact them directly. Then work with them to solve their problem. If a solution is not possible, be willing to cancel their service or refund their money. While you may not like the solution if the customer is unreasonable, at least they are not out any money.

Then consider the experience a gift. You either now have a process that can be improved or you have identified a complainer you do not want as a customer. Either way, your business is better off! Once this is done, ask the customer to rave about how you solved their problem!

**Write your response.** Remember, your written response to the complaint is meant for future readers of the complaint. Your response should contain the following elements:

- Acknowledge the customer's feelings
- Restate the problem
- Explain how you solved the problem
- Encourage the complainer to contact you directly in the future so you can handle their issue more effectively than through a public forum
- Avoid acting defensive, over-apologetic, or getting into a back-and-forth discussion

Today's online review culture gives entirely too much power to a few complainers. Your goal is to use these systems to your advantage to find new buyers by showing great customer service!





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