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Online Advisor – June 2024

Upcoming dates:

June 14

- Flag Day

June 16

- Father's Day

No matter what season of life you find yourself in, the IRS will probably find a way to tax it. In this month's newsletter, read through several situations where a tax planning session might make sense to help you try and cut your 2024 tax bill.

Also learn how to prepare yourself financially when purchasing a vehicle, several ideas to unplug during this year's summer season, and why every impression matters in the world of business.

As always, feel free to pass this information on to anyone that may find it useful and call if you have any questions or concerns.

You Need Tax Planning If...

Life can alter your taxes with little to no warning. Here are several situations where you may need to schedule a tax planning session:

Getting married or divorced. You could get hit with a *Marriage Penalty* in certain situations when the total taxes you pay as a married couple is *more* than what you would pay if you and your partner filed as Single taxpayers. The opposite can also occur, when you benefit from a *Marriage Bonus*. This often occurs when only one spouse has a job or earns income in other ways such as a business. Another situation when tax planning becomes critical is if you and your future spouse both own homes before getting married.

If you're going from *Married to Single*, make the process include tax planning. Under divorce or separation agreements executed after 2018, alimony is no longer deductible by the spouse making payments and isn't considered taxable income for the spouse receiving payments at the federal level. The opposite is true for divorce or separation agreements executed before 2019 – alimony is generally deductible by the spouse making payments and must be reported as taxable income by the spouse receiving payments.



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Child support is also not deductible by the spouse making payments, and isn't considered taxable income for the spouse receiving payments. In addition, not all assets are taxed the same, so their true value will vary.

Growing a family. Your family's newest addition(s) also comes with potential tax breaks. You'll need a Social Security number for your newborn child and to understand the impact this little gem will have on your full-year tax situation. These include breaks to help pay for child care or adoption-related expenses, the child tax credit, and the Earned Income Tax Credit.

Changing jobs or getting a raise. Getting more money at work is a good thing. But it also means a higher tax bill. So you may need to review your tax withholding to ensure there are no surprises at the end of the year. And when leaving an employer, expect a tax hit for severance, accrued vacation, and unemployment income payments.

Another potential tax problem if you get a raise or otherwise earn more money is that you may no longer qualify for certain tax breaks, as most tax deductions and tax credits phase out as your income increases. Consider scheduling a tax planning session to discuss the phase out thresholds that may affect you in 2024.

Buying or selling a house. You can exclude up to \$250,000 (\$500,000 if married) of capital gains when you sell your home, but only if you meet certain qualifications. A tax planning session can help determine if you meet the qualifications to take advantage of this capital gain tax break, or other home-related tax breaks such as the mortgage interest deduction or credits for installing qualified energy-efficient home improvements.

Saving or paying for college. There are many tax-advantaged ways to save and pay for college, including 529 savings plans, the American Opportunity Tax Credit, and the Lifetime Learning Credit. As you plan your future, understanding how these expenses can be managed often happens long before you begin your college journey.

At the end of the day, when in doubt please reach out. There is no reason to pay more than you need to and a simple tax planning session can make all the difference.

Prepare Yourself Financially When Purchasing a Vehicle

Financing a new or used car could spell big financial trouble if your vehicle is ever declared a total loss – even if the accident is 100% the other driver's fault. Here's what you need to know about staying safe financially if you take out a car, truck, or SUV loan in the future.

Background – The 80% Rule



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Many Americans believe if their vehicle is declared a total loss following an accident, insurance companies will provide enough money to cover the cost to replace the vehicle with a similar vehicle. The truth, though, is that insurance companies never provide you with enough money to buy a true replacement vehicle.

The rule of thumb to use when planning is 80%...if the true cost to get the exact same vehicle you were driving before an accident is \$30,000, your insurance will only give you 80% of this dollar amount, or \$24,000. You'll have to come up with the other 20%, or \$6,000 in this example.

Why not 100%?

Unbeknownst to most of America, the valuation of vehicles deemed a total loss is determined by one company, CCC Intelligent Solutions. Per CCC, their services are used by most of the top 20 insurance companies. Instead of using a fair market valuation method to calculate the replacement cost of your vehicle, CCC uses a model that calculates a value that, when compared to valuation models found at Kelly Blue Book, Edmunds, and NADA, is systemically low.

How to Protect Yourself Financially

Here are some ideas to help you stay financially healthy when purchasing your next vehicle:

- **Put down at least 20%.** An unavoidable accident, even with no medical bills, could place your financial life in chaos. So try to have at least 20% equity in the vehicles you own from the moment you make the purchase or your loan will be underwater leaving you with no room to replace your vehicle with a similar make and model.
- **Get a vehicle history report.** Don't buy a vehicle that's been in an accident or has had other major issues such as flood damage. Buying a vehicle history report can help you identify cars, trucks, & SUVs that may create an even greater financial risk if you need to find a replacement.
- **Build a fund for vehicle repairs and maintenance.** Save up for inevitable maintenance and vehicle repairs. You could even use these funds to cover your 20% portion of a vehicle's replacement cost. Having enough money in this fund is critical. If you need to repair a car after a fender bender AND you do not have enough to cover your share of the cost, you will need to deal with the lender who has a lien on your vehicle. You can quickly find yourself in a financial trap.
- **Choose shorter repayment terms.** While the average car loan length is now well over five years for both new and used vehicles, choosing a shorter repayment term can help you build equity faster. You'll have a higher monthly payment, but you'll be in a better financial situation sooner in the event of an accident.



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Get Sanity Back...Ideas to Unplug This Summer

During your summer break or vacation, consider the following ideas to not only recharge, but to do so without sitting in front of a screen, monitor, or phone.

- **Leverage the library.** If it's been a while since you've been to a library, consider a trip to find two or three good books to help you pass the time this summer. If you have kids, consider going once a week or every two weeks as a summertime activity for the entire family. Plus the library is a great place for a variety of activities and resources, including books on tape for that long drive to your summer hideaway!
- **Start journaling or writing.** Instead of reading a book you got from the library, why not actually write a book? If that sounds too ambitious, then consider starting a journal or writing shorter essays. Summer is a great time for taking your imagination and ideas, and getting them on paper.
- **Start a new outdoor hobby.** Many studies confirm that outdoor activities give a boost to both your mental and physical health. It doesn't matter if the activity uses a lot of energy, such as biking, running, or hiking, or is a more laid-back activity like gardening or bird watching. Pick a new outdoor activity to help you de-stress and reconnect with nature.
- **Dust off your board and card games.** Whether it's a game for the entire family or a group of friends, summer is a great time to grab your favorite board and card games from the closet. Even better, consider going to a thrift store and finding a new board game. For the very ambitious, consider inventing your own game.
- **Volunteer.** In addition to giving back to your community, volunteering can help both students and adults learn new skills and meet new people. Your volunteering activities are also something that usually look great on a resume.
- **Go for electronic-free walks.** Many people exercise while listening to music or a podcast, or watching something on TV. Consider going for a walk or doing your normal exercise activity without an electronic device. Focus instead on the scenery around you or meditate on something that happened that day.
- **Meet with old friends.** Always too busy to meet up with old friends? Consider scheduling game nights or outings. Not only can you catch up with everyone, you do it while laughing through a fun activity.
- **Start a quest.** Pick a theme – such as mini-golf courses, state parks, lakes, or birds – and make it a quest to visit or find as many as possible. Consider it a real life quest. Then make it memorable. For example, if your quest is to visit every state, consider taking a picture with your child and their favorite stuffed animal in each state. Then write a caption to make a great memory.



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Finally, no matter what activity you choose during summer break, enjoy your time away!

Business Advice: Every Impression Matters

With competition knocking at your door for virtually every product or service, you need to hone every advantage available to you. One of the ways you can set your business apart is to create an awesome customer experience with every interaction. This is less of an event and more a state of mind for your entire team. Here are several steps to help you get there:

- **The three outcomes.** Start by understanding that every interaction with customers AND vendors has three – and only three – possible outcomes: positive, neutral, or negative. Your goal is to make every interaction, from a label on a product to speaking with someone on a call, a positive experience. Or in a worse case scenario, neutral.
- **Make a great first impression.** The first impression a potential customer creates about your business can come from many different avenues. Train your customer service reps and create an approachable tone on the phone. If you choose to use social media, keep it fresh or take it down. See your lobby as others see it. All details matter.
- **Manage the outcome.** The best way to do this is to eliminate the possibility of a negative outcome with your first impression. With customer interaction, this is often accomplished with active listening and a smile.

For example, let's say you receive a call from a customer wanting to hear about a new service. The employee that handles the service is not available and you are limited in your knowledge. The worst thing you can say is, *I'm sorry, the person responsible for the service is not here at the moment.* In the customer's mind, you immediately remove the possibility of a positive outcome! Instead, engage the customer to hear about their needs, gather as much information as possible, and commit to finding the answers for them and calling them back immediately.

- **Create slingshot experiences.** No matter how well you strive to offer top-notch customer service, there will always be instances that are less than favorable. Use this as an opportunity to turn a negative experience into a positive one by thrilling the disgruntled customer with your solution. Even if the solution is costly and unreasonable, that customer will tell everyone the story about how you solved their problem.
- **Use problems to make permanent improvements.** Knowing your strengths can reaffirm your approach and help set customer service performance goals. On the other hand, learning about a bad experience from a customer's perspective will give you great insight into how you



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can improve. Use these problems to focus your activity. Over time, the results of this continual improvement can have a tremendous impact on your business.

Creating a culture that excels at customer service is attainable if you put in the effort to know your customer's needs and to understand that every impression matters!

Surviving Wedding Season Without Breaking the Bank

According to this survey by TheKnot.com, the average wedding in 2023 had a price tag of \$35,000. And it's not just the lucky couple doling out serious money. Wedding guests can also face steep costs between gifts and traveling to and from the big event. If you're planning on attending a wedding or two (or three or four?) this summer, here are several ideas to help keep your wedding costs under control.

1. **Give cash instead of buying a gift off a registry.** Most people want to give a wedding gift that, on some level, reflects the relationship they have with the couple. This desire to find that perfect gift can sometimes lead to overspending. Instead of buying a gift off a registry, consider giving cash. Sticking with cash can help you stick to your wedding season budget and avoid your gift being stuck in a box or closet that never gets used.
2. **Think outside the box for lodging.** If traveling to a wedding, start looking at lodging options as soon as you know the date. First, check to see if you have family or friends in the area you would be comfortable staying with. Next, consider reconnecting with friends that are attending and share a room. Perhaps the wedding couple saved a block of rooms in a local hotel at a special rate. If so, compare the cost of that hotel with nearby hotels and short-term rentals. Remember to figure out your accommodations early so you don't get stuck with just one expensive option.
3. **Share your travel expenses.** It's possible you'll have some friends or family attending the same wedding as you. If the wedding involves traveling, split some of the costs with them. This can include carpooling, sharing a rental car, teaming up on taxi or ride-share expenses, as well as sharing hotel accommodations.
4. **Rent your attire.** Going to a bunch of weddings in a short amount time can create a wardrobe challenge. Purchasing a new outfit for each one will get really expensive really quickly. If you take the one-and-done approach with your formal wear, renting a dress or suit will only set you back a fraction of the cost of buying new clothes for every wedding.
5. **Respectfully decline.** Whether it's the cost of travel, poor timing, or something else, it's OK to decline the invitation. The wedding couple expects some people won't be able to make it to their big event. But it's important to let them know you won't be there. When sending back the



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RSVP, include a kind greeting and the reason for your absence without going into great detail. When the wedding day comes, remember to send a card or a gift.

Wedding season is a time of fun and celebration. Knowing that you also made the best financial decisions possible makes the occasion even better.

Watch Out For These Sneaky Vacation Costs

Going on vacation is a time to get away, relax and enjoy new experiences. But if you don't pay close attention, extra costs can sneak up on you like tiny money-stealing gremlins. Here are several sneaky vacation costs to watch out for:

- **Covert airfare increases.** Airline pricing algorithms are programmed to store your browsing history to see if you've been looking at flights. If you have, they will bump up the price. Before searching, clear your internet history and switch to private (or incognito) mode on your web browser. When you are finally ready to book the flight, do so using a different computer from a new location to be sure that you're avoiding this artificial price increase.
- **Stealthy resort fees.** The nightly base rate for a fancy resort will often compare favorably to a standard hotel in the same location. This is an intentional pricing tactic used by resorts to get their rooms on the initial search results page. Don't be fooled! These same resorts will add a daily resort fee on the back end of your bill to cover the extra amenities they offer. The extra fee might be worth it to you, but it's better to understand the full cost of the stay before making your reservation.
- **Useless rental car insurance.** Rental car companies will try to sell you insurance to cover damages you may cause during the rental period. Often, the auto insurance you already have will extend to the rental car. In these cases, the extra insurance isn't necessary. Before renting a car, check with your insurance company to see if a rental will be covered.
- **Bloated baggage fees.** You probably already know that airlines may charge for checking a bag, but do you know they will charge extra if a bag is too heavy? Exact weight can vary by airline or location, so check the weight limits before you go and weigh any heavy bags using a bathroom scale.
- **Crafty parking costs.** Downtown hotels in big cities charge as high as \$100 per night for parking! Research alternative parking options near your hotel or compare the cost of using rideshare options before committing to the hotel rate.
- **Sly extra driver charges.** Rental car companies will charge an extra daily fee to have a second driver listed on the rental. If possible, commit to one person to handle all the driving on your vacation.



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- **Tricky foreign transaction fees.** Traveling abroad and paying an extra fee for every purchase will add up in a hurry. Before you go, check your credit cards and bank accounts to see if they charge foreign transaction fees. If they do, shopping for another card or account that doesn't charge fees might make sense.

Some vacation fees can't be avoided, but many of them can if you know where to look. Implement a plan to navigate the fees in the planning stages of your trip to avoid dealing with them during your vacation.

As always, should you have any questions or concerns regarding your tax situation please feel free to call.

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