Online Advisor – June 2025

Upcoming dates:

June 14

- Flag Day

June 15

- Father's Day

June 16

- Second quarter 2025 estimated tax payments are due

The tax code isn't just long – it's tricky. For every deduction or credit that can lower your bill, there's a sneaky rule waiting to catch you off guard. In this issue, learn about several common tax traps that can surprise anyone.

Also in this issue: If you're picking up a seasonal job, we break down how that extra income could impact your taxes. We're also pulling back the curtain on credit card fine print—revealing what banks don't always advertise.

And for the curious minds, we explore the hidden lives of your everyday gadgets and what they're doing behind the scenes.

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

Watch Out For These Tax Surprises

Our tax code contains plenty of opportunities to cut your taxes. There are also plenty of places in the tax code that could create a surprising tax bill. Here are some of the more common traps.

- **Home office tax surprise.** If you deduct home office expenses on your tax return, you could end up with a tax bill when you sell your home in the future. When you sell a home you've been living in for at least 2 of the past 5 years, you may qualify to exclude from your taxable income up to $250,000 of profit from the sale of your home if you're single or $500,000 if you're married. But if you have a home office, you may be required to pay taxes on a proportionate share of the gain.

  For example, let's say you have a 100-square-foot home office located in a garage, cottage or guest house that's on your property. Your main house is 2,000 square feet, making the size of your office 5% of your house's overall area. When you sell your home, you may have to pay taxes on 5% of the gain. (TIP: If you move your office out of the detached structure and into your home the year you sell your home, you may not have to pay taxes on the gain associated with the home office.)

Even worse, if you claim depreciation on your home office, this could add even more to your tax surprise. This depreciation surprise could happen to either a home office located in a separate structure on your property or in a home office located within your primary home. This added tax hit courtesy of depreciation surprises many unwary users of home offices.

- **Kids getting older tax surprise.** Your children are a wonderful tax deduction if they meet certain qualifications. But as they get older, many child-related deductions fall off and create an unexpected tax bill. And it does not happen all at once.

  As an example, one of the largest tax deductions your children can provide you is via the child tax credit. If they are under age 17 on December 31st and meet several other qualifications, you could get up to $2,000 for that child on the following year's tax return. But you'll lose this deduction the year they turn 17. If their 17th birthday occurs in 2025, you can't claim them for the child tax credit when you file your 2025 tax return in 2026, resulting in $2,000 more in taxes you'll need to pay.
- **Limited losses tax surprise.** If you sell stock, cryptocurrency or any other asset at a loss of $5,000, for example, you can match this up with another asset you sell at a $5,000 gain and - presto! You won't have to pay taxes on that $5,000 gain because the $5,000 loss cancels it out. But what if you don't have another asset that you sold at a gain? In this example, the most you can deduct on your tax return is $3,000 (the remaining loss can be carried forward to subsequent years).

  Herein lies the tax trap. If you have more than $3,000 in losses from selling assets, and you don't have a corresponding amount of gains from selling assets, you're limited to the $3,000 loss.

  So if you have a big loss from selling an asset in 2025, and no large gains from selling other assets to use as an offset, you can only deduct $3,000 of your loss on your 2025 tax return.
- **Planning next year's tax obligation tax surprise.** It's always smart to start your tax planning for next year by looking at your prior year tax return. But you should then take into consideration any changes that have occurred in the current. Solely relying on last year's tax return to plan next year's tax obligation could lead to a tax surprise.

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Please call to schedule a tax planning session so you can be prepared to navigate around any potential tax surprises you may encounter on your 2025 tax return.

Seasonal Jobs and Taxes: What You Need to Know

Summer work can be financially rewarding, but it can also come with tax consequences that are sometimes overlooked. Here are several ideas for managing your tax obligations that come with seasonal jobs.

- **Keep it separate.** If you mow lawns, babysit or do another cash job where you haven't filled out a Form W-4 for tax withholdings, the IRS may consider you to be a business for tax purposes. If you are considered to be in business, it's a good idea to keep your business transactions separate from personal transactions. If you do comingle both types of transactions, the IRS may disallow all business expenses and leave you with a much higher tax bill.
- **Document your driving.** If you are driving for business purposes, document your mileage as it happens. The IRS allows 70 cents a mile for the portion of driving time you spend on business use. Use an app or driving log to record your business driving, and don't forget to hang on to all receipts.
- **Keep your receipts.** If you want to deduct a business expense, you need to prove that you paid for it. The IRS says any recordkeeping system is okay as long as it clearly shows your expenses. Keep receipts, canceled checks, bank statements and other easy-to-understand records of what you spent the money on and when. Many bookkeeping and accounting systems can help digitize these records, making them easier to corral for tax time.
- **Calculate your estimated tax bill.** Plan to file a tax return (it may be your first return) early next year. Depending on how much you make the rest of the year, you may get back every dollar that was withheld from your paychecks for taxes. If you were self-employed for your summer job, remember that you'll need to set aside some of your earnings to pay federal, state, and local taxes.
- **Remember that all income is taxable.** No matter how you earn your money, all earned income is taxable. Even tips, cash payments and income from freelance platforms must be reported on your tax return. If you receive a W-2 from an employer, the income is automatically reported to the IRS. If you freelance work, you might receive a 1099 form. But even if you don't get a 1099, you're still responsible for reporting all income you earn.

Summer work can provide much more than a temporary income boost — it can also be an opportunity to build good financial habits. By staying mindful of your tax obligations, you can avoid tax surprises and enjoy your hard-earned money.

What Banks Don't Tell You About Credit Cards

Credit cards may offer convenience and opportunities to build credit, but they also come with terms and conditions that aren't always advertised. Here are several credit card secrets that banks may not tell you about.

- **Minimum payments are a trap.** Banks design minimum payments to look appealing (typically 2% to 3% of your balance). But paying only the minimum allows interest to grow on your remaining balance, which can result in you paying two or three times (or more!) of the original purchase price over time. If possible, pay your credit card balance in full each month.
- **Interest rates are negotiable.** If you've been a reliable customer and consistently make payment on time, there's a good chance your bank might lower your annual percentage rate if you ask. Simply call the customer service number on the back of your card and ask if you can lower your rate. Banks prefer to keep loyal customers rather than risk losing them to competitors.
- **The high cost of rewards programs.** Banks design these programs to encourage spending, which increases the likelihood that cardholders will carry a balance and pay interest. Some rewards cards also have high annual fees that can erode the value of the rewards you earn. To truly benefit from rewards programs, only use your card for planned purchases and pay off the balance in full each month.
- **Late fees are avoidable.** Many credit card issuers offer a grace period for late payments. If you miss your payment due date, call your bank immediately and explain the situation. This can often result in the bank waiving its late fee, especially if it's your first offense. Banks don't widely advertise this because they profit significantly from late fees.
- **Introductory offers have strings attached.** Offers like 0% interest or bonus rewards often come with terms and conditions that are easy to overlook. For example, some rewards programs require you to spend a certain amount within the first three months to qualify for the bonus. If you don't read the fine print, you might miss out on the offer or end up spending more than you intended. Always understand the requirements before applying for a new card.
- **Banks monitor your spending habits.** Banks track your spending patterns and use this data to their advantage. For example, if you consistently pay off your balance in full, you might not be as profitable to them, which could result in fewer promotional offers. On the other hand,

customers who carry balances and pay interest may receive more marketing for additional financial products. Being mindful of your spending habits can help you avoid falling into costly traps that are pushed by banks.

Credit cards can be a valuable financial tool, but only if you understand how they work and how to avoid the hidden pitfalls. By paying off your balance in full, negotiating fees and rates, and leveraging rewards strategically, you can take control of your credit card rather than letting it control you.

The Secret Life of Everyday Gadgets: What Your Devices Are Doing When You're Not Using Them

You put your phone down. Close your laptop. Step away from the smart speaker. You think you've hit pause, that the lights go out and the gadgets sleep. But no. The show goes on.

Welcome to the quieter side of your electronics — a collection of clicks, pings, hums, and whirs that continue after hours. While you relax with a beverage or watch late night TV, your devices remain active. They're handling updates, syncing with cloud servers, and communicating behind the scenes. Let's take a closer look at what goes on beneath the surface.

The Night Shift: What Sleep Mode Really Means

You'd think sleep is synonymous with off. It's not. Your smart TV is still listening for the wake word. Your phone is syncing email, checking location, indexing photos you forgot you took. Your gaming console? It's auto-downloading 16GB of updates you didn't ask for.

Manufacturers sell it as convenience: devices ready the moment you are. But it's also about control. They want your gadgets running maintenance tasks, pushing new features, collecting diagnostics, and, truth be told, learning more about you.

The Data Harvest Festival

When your devices aren't busy serving you, they're studying you. That weather app? It doesn't just check the forecast. It might also ping your GPS at midnight to keep its location data fresh — info that could end up in marketing databases or shared with partners whose names you'll never know. Smart fridges monitor how often the door opens. Toothbrushes log your brushing patterns.

And all this happens in the background. You don't see it or hear it, but the servers are always online.

Phantom Firmware Updates

If your device gets smarter while you sleep, who's really in control?

Firmware updates are quiet instructions sent from tech companies to your devices—subtle but significant. They often arrive unannounced, and it's not always clear what's been altered.

In many ways, silent updates resemble unexpected home repairs. Sometimes they're useful. Sometimes they introduce new issues. But they serve as a gentle reminder: the technology we think we own often runs on terms set elsewhere.

How to Tame Your Gadgets

You don’t need to ditch your devices or declare war on the cloud. But being mindful goes a long way:

- **Start small.** Unplug gadgets you’re not using—chargers, old streaming boxes, anything with an ever-glowing LED. They draw power and stay quietly active when they don’t need to.
- **Smart plugs can help.** Set schedules to fully power down devices overnight, rather than letting them idle in standby mode.
- **Take a closer look at app permissions.** Not every app needs constant location access or background updates. It’s okay to be selective.
- **Be deliberate with updates.** Turn off automatic installs if you can, and choose when and what to update. It gives you more control over what’s changing.

And remember, not everything needs to be smart. Sometimes, a simple, offline tool—a French press coffee maker, a light switch—does the job just fine, without phoning home.

Money Management Tips for Couples

Couples consistently report finances as the leading cause of stress in their relationship. Here are a few tips to avoid conflict with your long-term partner or spouse.

- **Be transparent.** Be honest with each other about your financial status. As you enter a committed relationship, each partner should learn about the status of the other person's debts, income and assets. Any surprises down the road may feel like dishonesty and lead to conflict.
- **Frequently discuss future plans.** The closer you are with your partner, the more you'll want to know about the other person's future plans. Kids, planned career changes, travel, hobbies, retirement expectations — all of these will depend upon money and shared resources. So discuss these plans and create the financial roadmap to go with them. Remember that even people in a long-term marriage may be caught unaware if they fail to keep up communication and find out their spouse's priorities have changed over time.
- **Know your comfort levels.** As you discuss your future plans, bring up hypotheticals: How much debt is too much? What level of spending versus savings is acceptable? How much would you spend on a car, home or vacation? You may be surprised to learn that your assumptions about these things fall outside your partner's comfort zone.

- **Divide responsibilities, combine forces.** Try to divide financial tasks such as paying certain bills, updating a budget, contributing to savings and making appointments with tax and financial advisors. Then periodically trade responsibilities over time. Even if one person tends to be better at numbers, it's best to have both members participating. By having a hand in budgeting, planning and spending decisions, you will be constantly reminded how what you are doing financially contributes to the strength of your relationship.
- **Learn to love compromising.** No two people have the same priorities or personalities, so differences of opinion are going to happen. One person is going to want to spend, while the other wants to save. Vacation may be on your spouse's mind, while you want to put money aside for a new car. By acknowledging that these differences of opinion will happen, you'll be less frustrated when they do. Treat any problems as opportunities to negotiate and compromise.

Be Prepared for Surprise Business Expenses

Getting a bill for an unexpected expense can put a dent in your business's cash flow. Here are some tips your business can use to handle these unforeseen bumps in the road.

- **Stick to a reconciliation schedule.** Know how much cash you have in your bank account at any given time. This is done by sticking to a consistent bank reconciliation schedule. Conventional wisdom suggests reconciling your bank account with bills paid and revenue received once a month, but you now have the ability to reconcile your cash every day. Perpetual reconciliation is easier to do if your business has fewer transactions. It may seem a bit much, but with the correct team in place, you will be prepared for surprises as they happen.
- **Create a 12-month rolling forecast.** This exercise projects cash out twelve months. Each new month you drop the prior month and add another month one year out. This type of a forecast will reflect the ebbs and flows of cash throughout the year and identify times that you'll need more cash, so when a surprise bill shows up, you know exactly how it will impact your ability to pay it. If you have lean months, you may wish to explore creating a line of credit with your bank to be prepared for any surprises.
- **Build an emergency fund.** Getting surprised with an unexpected business expense isn't a matter of if it will happen, but when. Consider setting money aside each month into an emergency fund to be used only in case of a significant expense. A longer term goal could be to save enough money to cover 3 to 6 months of operating expenses.

- **Partner with a business advisor.** Even small businesses sometimes need help keeping their cash flow in line and avoiding unexpected expenses. Please call if you have any questions about organizing your business's cash flow and preparing for surprises.

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