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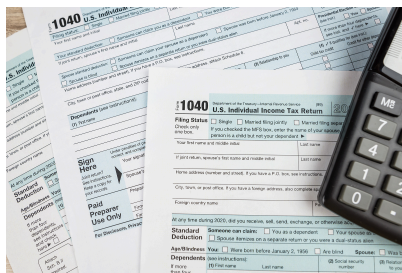
September 2023



With interest rates continuing to increase, what could be better than making a purchase with 0% interest? In reality, financing a purchase with a 0% interest rate may be more trouble than it's worth, as we explain in this month's newsletter.

Also discover the hidden tax benefits of owning a home, how students and teachers can sharpen their AI toolkit for the upcoming school year, and where you can find a savings account with a great interest rate.

As always, please pass this newsletter to anyone who may find it valuable and call if you have any questions or concerns.



Taxes: Knowing the Basics is Key

It's the starting point to saving money

Understanding how our tax system works can be tricky for anyone. Whether you're an adult who never paid much attention to the taxes being withheld from your paycheck or a kid who just got his or her first job, the starting point to reducing your tax is knowing when to ask a question. But that means having a basic understanding of what might be taxed.

Here are some pointers to help you or someone you know navigate our tax maze.

There are many types of taxes

When you think of taxes, the income tax usually comes to mind. This is a tax on personal and business income you earn from performing a job, or providing a product or service. But there are also other types of taxes besides income taxes. Here are some of the most common.

- **Payroll taxes.** While income taxes can be used to pay for pretty much anything the government needs money for, payroll taxes are earmarked to pay for Social Security and Medicare benefits. This is 15.3% of most employee's paycheck, but half of it is paid by your employer.
- **Property taxes.** These are taxes levied on property you



Upcoming dates:

September 15

- 3rd quarter installment of 2023 estimated income tax is due for individuals, calendar-year corporations and calendar-year trusts & estates

- Filing deadline for extended 2022 calendar-year S corporation and partnership tax returns

October 16

- Filing deadline for extended 2022 individual and C corporation tax returns

Take a Look at Better Savings Rates

A silver lining to continued interest rate hikes by the Federal Reserve is being able to earn more interest on cash stashed in your savings accounts. How much interest, exactly, you can earn depends on where you do your banking. Consider these tips to earn as much interest as you can, even if it means opening a new account:

- **Earn a bank bonus.** Some banks offer a bonus if you meet specific requirements, such as depositing a minimum amount or setting up direct deposit. These

own. The most common example is the property tax on a home or vacation property.

- **Sales tax.** These are taxes on goods and services you purchase. While most of this tax is applied at the state and local levels, there are also federal sales taxes on items like gasoline.
- **Capital gains taxes.** If you sell an investment or an asset for a profit, you may owe capital gains taxes. The most common example of this is when you sell stock for a gain. Capital gains taxes could also come into play with other assets, such as selling your home or a rental property you sell for a profit.
- **Estate taxes.** This tax is applied to assets in your estate after you pass away.

Not all income is subject to tax

Most, but not all, of your income is subject to tax.

- While your paycheck is subject to taxes, interest earned from certain municipal bonds is not. And the government often excludes things like certain life insurance benefits.
- Capital gains taxes have exclusions for gains on the sale of your home and donated stock.
- Estate taxes have an exclusion, so only estates in excess of this exclusion amount are taxed.
- Many employee benefits such as health care, Health Savings Account contributions, commuting benefits and small gifts from your employer are tax free.

bonuses can give you an incentive to try a new bank while padding your savings with a few extra hundred dollars.

- **Look beyond your local bank.** If you want to earn enough interest on your savings to keep up with inflation, look beyond your local bank to the range of online banks offering much higher interest rates. For example, Chase banking customers are currently earning 0.01% on their savings, while those who save with UFB Direct are earning 5.06% APY with no monthly maintenance fees or minimum balance requirements.
- **Take advantage of new banking tools.** [Bankrate.com](https://www.bankrate.com) shows approximately 60% of consumers are very or somewhat interested in using a digital bank in the coming year. This is partly due to the digitization of nearly all other aspects of our lives, but it's also due to convenient online tools like mobile check deposit, virtual account management and bill pay features.
- **Watch out for fees.** Take note that many of the best bank accounts with great rates don't charge monthly maintenance fees or any hidden fees. However, you'll want to read over the fine print for accounts you're considering so you know for sure. This is especially true with CD's at some banks that tease with high interest rates, but hide the 1% to 3% penalties of your balance for early withdrawal.
- **Stability is important.** When making a banking move, double check to ensure your deposits are FDIC insured. But even if insured, you still should check the press for any indication of deposit risk at your chosen bank. And if your current bank is still offering low interest rates, it may be subject to deposit flight limits that may create difficulty removing your funds. So while your money is insured, it may be hard to withdraw should this happen.

Today's interest rates can be a boon for your finances, but you'll need to

The rules around these different types of taxes is complex. Having someone in your corner to help you navigate your tax obligation is often an essential element in minimizing how much tax you do have to pay. It is also helpful, though, for you to understand the basics so you know when to ask a question.

put in some work up front to find the best bank for your particular situation. Shop around for a new bank and look for ways to get ahead, either through banking bonuses, great rates or both. The time and effort you spend will be worth it in the end!



The Trouble With 0% Financing

Companies want to make it easy to buy their big ticket items, especially at times of economic uncertainty. A popular technique is to offer 0% financing when you buy furniture, electronics and other household items. You can also take matters into your own hands with a credit card that offers 0% APR on purchases, balances transferred to the card, or both.

While paying for goods and services with 0% interest may sound appealing, there are risks you'll face that you should be aware of before you take this step.

What's hiding behind 0% financing

Here are some of the potential problems hiding behind these 0% financing offers:

- **Special financing offers make it easier to overspend.** [Psychology Today reported](#) that credit card use can easily result in overspending, and the same is true for loans. The key is to understand the monthly payments you are committing to, and ensuring you can handle them. At the same time, try to assess your purchase decision. Would you buy this item if the 0% offer was not available?

- **Some 0% APR offers come with deferred interest.** Hidden in the fine print of some 0% interest offers may lurk deferred interest charges. This means that while you're enjoying monthly payments with no interest, the interest charge accrues over time. If you miss a payment, have a late payment or haven't paid off the loan by the end of the 0% offer period, the accrued interest gets added to your unpaid balance. The key is to precisely understand what happens if you miss a payment or don't follow the 0% offer exactly as written...before you take the 0% offer.
- **The 0% offer may be impacting the price.** Remember, money has value and someone is paying the interest cost of the 0% financing. Usually the merchant is hiding the cost inside the price you are paying for the item.

What you can do

Before considering a 0% interest financing offer on your next purchase, do this:

- **Save up for large ticket purchases.** Instead of financing items and ensuring you have even more bills to pay each month, start saving for pricier purchases on a regular basis. Even better, leverage the value of your savings within higher interest savings account options that are now in excess of 4 percent.
- **Turn on your negotiating switch.** Whenever you see a 0% offer, there should be a discount available to you for paying upfront. Someone is paying the interest and it is probably going to be you if the financing cost is built into the price you are paying.
- **Pay on time!** Finally, if you do think the 0% option is a deal for you... set up auto payments. Most of these deals are unforgiving and punitive if you miss a payment, so automate them to avoid this possibility.



Your Home is a Bundle of Tax Benefits

There are many tax benefits built into home ownership. Here is a review of the most common.

- **The home gain exclusion.** When you sell an asset for a profit, it creates a taxable event. If the asset, though, is your primary residence, you can exclude up to \$250,000 (\$500,000 if married filing jointly) of these gains. Special rules do apply, but this is a major tax benefit of home ownership.

***How to take advantage:** You must live in your house for at least 2 of the previous 5 years to qualify for the home gain exclusion. Start planning now if you think you'll be selling your house in the near future so you can qualify for this tax break.*

- **Itemized deductions.** Mortgage interest and property taxes are two deductions you can claim as a homeowner. The interest is deductible on the first \$750,000 associated with loans secured by your primary and secondary residences (\$1 million for mortgages underwritten prior to 2018), while up to \$10,000 of property taxes may be deducted. You may also deduct points paid as an itemized deduction over the life of your mortgage.

***How to take advantage:** You need to itemize your deductions to take advantage of these tax breaks. Consider bunching your mortgage interest and property taxes with other itemized deductions such as charitable contributions, taxes and excess medical expenses to try and exceed the standard deduction for your filing status.*

- **Free rental income.** You can rent out your home for up to two weeks and not claim the income. While you cannot deduct expenses in this scenario, this is a great tax break if your home is located next to a popular landmark or a major event.

***How to take advantage:** Keep track of how many days you rent out your home so you don't go over the 14-day limit. If you rent your house for just 15 days over a given year instead of 14, you'll owe taxes on all rental income for that year, including the first 14 days.*

- **Home office deduction.** If you use a portion of your house exclusively as a home office, you may be able to deduct certain expenses such as mortgage interest, insurance, utilities, & repairs.

How to take advantage: To qualify for the deduction, you generally must use this portion of your house exclusively for business purposes on a regular basis. So be sure to understand the limitations of this deduction.

Your house is a great place to control the amount of tax you owe, but only if you know the rules and can apply these rules to your situation. Use this information as a starting point to see if there are ways to leverage your home's tax benefits.



Mitigating Business Risk with Cross-Training

Cross-training to ensure more than one person knows key functional areas can be a win-win situation for you and your employees. Large companies often use it to prepare managers for future promotions. But in small companies, cross-training can be a great way to mitigate risk.

How you implement cross-training will depend on the size and nature of your business. Consider prioritizing the departments that need and/or want cross-training the most. These departments may be understaffed or have many new employees. Look for important functions that are currently dependent on a single person's knowledge. These areas should be a focus of your cross-training program.

As you implement a cross-training program, here are a few tips to help you along the way:

- **Document your key processes.** You cannot cross-train if you don't know the process. These written processes will turn into training documents as you implement your program. So your first step is identifying key processes and procedures and having your current people that are doing

these functions to get them down on paper or documented through short videos.

- **Communicate to your team.** Get everyone in step before starting a cross-training program. Help your team understand why the company is cross-training your team. Reasons may be to prepare for organizational growth or new industry standards, to cover functions when someone is on vacation, or to adjust to a changing structure that's focused around roles and responsibilities. Then continue to communicate with your team throughout the process with status updates and next steps.
- **Present cross-training as an opportunity.** Your employees may be more resistant to cross-training if it feels like it's an obligation or a threat to their roles. You can help them feel motivated by highlighting the benefits, like developing different skill sets and having a better understanding of how their contributions positively impact other parts of the business.
- **Start with a small pilot program.** Test the waters with a select group of employees to get a better understanding of what works and what needs to be tweaked. You can then expand the program later as you gain insight and experience.
- **Determine cross-training hours.** Figure out how much time can be dedicated to cross-training for each team to still run efficiently. This may include setting aside a few hours each day, or setting aside full days for a certain period of time to focus on cross-training. If your business is seasonal, ramp up cross-training during your low seasonal period.
- **Listen to feedback.** You may learn that some employees have already started cross-training on their own. You can use this kind of valuable feedback to fine-tune your official cross-training program.

Keep in mind that some employees may resist having to train others, and productivity may suffer in the short-term. But remember the cost of not cross-training - if you lose a key employee and no one else knows how to do their tasks, your business may have trouble finding a replacement.



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