

# Retirement Basics

It's never too early or too late to start preparing for retirement. Here are some practical tips to keep you on track:

**Set realistic goals.** Project your retirement expenses based on your needs, not rules of thumb. Think about how you want to live in retirement and how much it will cost. Then calculate how much you need to supplement Social Security and other sources of retirement income.

**Make a retirement budget.** A general rule of thumb is for your retirement income to equal at least 80% of your current income. But that can vary depending on lifestyle. For example, if you plan on downsizing, your cost of living could be lower. If your ideal retirement involves a lot of traveling, you may need to budget more.

**Don't miss any opportunity.** Even if you are just getting your first job out of high school, ask about company retirement plans and other investment opportunities. Opt in at the earliest opportunity and maximize any company matching. Some employers offer matching in Health Savings Account (HSA) plans as well. Even the smallest investment today can turn into a nice nest egg in the future.

If your employer doesn't offer benefits or you are self-employed, open an Individual Retirement Account (IRA). There are two types of IRAs. A traditional IRA offers tax-deferred growth, meaning you pay taxes on your investment gains only when you make withdrawals. The second is a Roth IRA. By contrast, it doesn't allow for deductible contributions but offers tax-free growth, meaning you owe no tax when you make withdrawals.

**Diversify.** Stocks, mutual funds and bonds all have their pros and cons. A good portfolio has a mix.

**Network now for employment opportunities later.** If you plan on working part time in retirement, it doesn't hurt to watch the employment trends and prepare for location and other requirements a year or more in advance. You can start researching the market now for products or services in your skill set that might turn into extra income.

**Consider your emotional needs too.** Working keeps you socially engaged and reduces the amount of your nest egg you must withdraw on an annual basis once you retire.

**Think about retirement when you make big decisions like a new home or changing jobs.** Will you need to downsize when you retire? Will this job change lead to part time employment opportunities in retirement years?

**Don't forget about taxes.** A tax and accounting professional will evaluate your financial situation (i.e., income and expenses), evaluate your tax situation, and help you figure out how to structure retirement accounts.

**Prepare for the unexpected.** Have a back up plan in case you are forced to retire earlier or later than you expected.

**Prioritize debt payoff while you are still working.** If you are within ten years, its time to stop the borrowing and start paying down.

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## Retirement Basics

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**Don't forget to plan for Health Insurance.** Americans are eligible to enroll in Medicare at age 65 but it doesn't hurt to get familiar with what will be available at least a year before your eligibility date. You will also need to sign up a few months ahead of time to give the coverage time to kick in. Even with Medicare you will need to plan for co-pays and out of pocket expenses.

**Consider funding an HSA.** Contributions are tax deferred, they grow tax free and the withdrawals are tax free if you need money for unexpected medical expenses in your retirement years.

## Q&A

**Q: How can I get a Social Security Statement that shows a record of my earnings and an estimate of my future benefits?**

**A:** You can get your personal Social Security Statement online by setting up your "my Social Security" account at [www.SSA.gov](http://www.SSA.gov). Your online Statement gives you secure and convenient access to your earnings records. It also shows estimates for retirement, disability and survivors benefits you and your family may be eligible for. To receive a statement by mail, fill out form SSA-7004 and mail to the address listed on the form. You can also visit a local office or call the SSA at 800-772-1213 for help.

**Q: What happens to my pension money if my employer goes out of business?**

**A:** If your plan is insured, you will still get paid as scheduled. The Pension Benefit Guaranty Corporation protects the retirement security of over 34 million Americans in private sector plans. Visit [www.PBGC.gov](http://www.PBGC.gov) to see if your plan is insured.

**Q: My father is retiring, and he contributed to a pension plan for around ten years back about thirty years ago. The company closed a few years ago and he lost track of his paperwork. Is there any way to find out if he is due any benefits?**

**A:** Across the country, there are more than 80,000 people who have not claimed their earned defined benefit pension. If you are looking for an unclaimed pension benefit, call PBGC toll-free at 1-800-326-LOST(5678). Be prepared to provide his name and social security number as well as the name of the company and the dates he worked there.

**Decide when you will take retirement benefits.** Unless you have extenuating circumstances, the general rule is to wait until at least your full retirement age to take Social Security. Your full retirement age is determined by your birthdate. Anyone can start taking their benefits at age 62 but your payment amount will be reduced by as much as 30% depending on your full retirement age. For example, if you were born between 1943 and 1954, your full retirement age is 66. If you took early retirement at 62, your monthly benefit amount would be reduced by 25%. The same goes for all retirement accounts. You can start taking 401(k) or IRA distributions penalty-free at age 59 ½ but the longer you can hold off, the more your investments can grow.

**Q: It is time to start drawing my pension but I am having problems reaching the administrators for my pension plan. Is there anywhere I can turn for help?**

**A:** The U.S. Administration on Aging's Pension Counseling and Information Program currently serves 31 states. Free legal assistance is available to individuals experiencing a problem with their pension, profit sharing or retirement savings plans. For more detailed information go to [www.USA.gov/retirement](http://www.USA.gov/retirement) for a list of who to contact. Assistance is provided free of charge. If you are out of the service area, you may be able to find help with your questions by visiting Pension Help America at [www.pensionhelp.org](http://www.pensionhelp.org)

**Q: I own a small business with five employees and want to offer a retirement plan. Are there any free unbiased resources online?**

**A:** Get started at the Department of Labor's website – [www.dol.gov](http://www.dol.gov) The Saving Matters initiative, part of the U.S. Department of Labor's Retirement Savings Education Campaign, provides resources for employers and workers on retirement saving.

*Small Business Retirement Savings Advisor* - Provides information to help small business owners understand their retirement savings options and determine which program is most appropriate for their needs.

*Choosing a Retirement Solution For Your Small Business* (PDF) - Provides information on retirement plan options.

*Top 10 Ways to Prepare for Retirement* (PDF) - Provides information on assessing your retirement needs, tax benefits of workplace savings plans, and Individual Retirement Accounts (IRAs). *What You Should Know About Your Retirement Plan* (PDF) - Provides answers for the most common questions about pension plans.

# T. Rowe Price Institutional Floating Rate Fund F Class (PFFRX)

**T**he market for Government and Corporate bonds is absolutely enormous. Supply and demand for bonds across the risk spectrum is fluid and reflects “The Bond Market’s” stance on current and prospective economic conditions. If institutional and retail investors are optimistic about conditions and willing to take on more risk by selling bonds and buying stocks, this puts upward pressure on interest rates. If the reverse is true and investors are looking to reduce risk, then this can cause rates to fall. All this of course is set within a general interest rate environment established by the Federal Reserve Board.

Within this massive market, particular attention is paid to the yield on the 10-year U. S. Treasury Note. Its current yield is seen as a benchmark from which many consumer and commercial loan rates are based. As of this writing, the current yield on the 10-year U.S. Treasury is right about 1.30%. Other than the onset of the COVID-19 pandemic period of fear, panic and uncertainty, this is very near the lowest yield in its history.

The popular narrative of late is that economic growth has been strong and will remain so for at least the near term, and that disruptions in the supply chain won’t be fixed overnight. These conditions combined can cause inflation to heat up ... and it has. The Fed’s primary tool to help keep inflation under control is the interest rate on the Federal Funds rate. If the Fed wants to taper economic growth and inflation, it raises rates, and vice-versa. Although there doesn’t seem to be hurry to get there, and the Delta variant of COVID-19 has thrown a bit of a wrench into things, the path toward at least slightly higher rates seems almost inevitable.

With this in mind, I think it’s worth considering the T. Rowe Price Institutional Floating Rate Fund – F Class (PFFRX). This fund can be used as an addition to a core bond fund holding, or perhaps if you have some money you want to put

to work that earns more than a savings account or money market, but don’t want to take on too much risk. Floating Rate funds, also called Bank Loan funds, are mutual funds that buy loans made by banks or other financial institutions to companies that pay interest based on a floating rate. As its name implies, a floating rate is not fixed, but rather a rate that adjusts periodically based on a publicly available, short-term referenced interest rate such as the U.S. Prime Rate. This being the case, rising interest rates can potentially be beneficial to both the current yield and underlying share price of these funds.

Bank loans are usually senior secured debt and are mostly rated below investment grade because the borrower’s ability to repay may be viewed as speculative. Such loans are used for general corporate purposes as well as to refinance debt and fund acquisitions, leveraged buyouts or recapitalizations. In an effort to manage risk, the fund is broadly diversified across 200 - 300 different issuers, with strict exposure limits. This fund pays dividends on a monthly basis, and currently has an annualized yield of 3.76%. The lead manager of the fund is Paul Massaro, who has been with T. Rowe Price since 2003 and at the helm of this fund since 2009. With all share classes combined, the fund has in excess of \$5 billion under management.

**If you’d like to see if this type of fund may be suitable for your situation, please feel free to call Ted Black, CFP® at 888-878-0001, extension 3.**

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Performance annualized and updated through 06/30/2021: 1-Year: +9.54%; 3-Year: +4.09%; 5-Year: +4.32%. The gross annual expense ratio is 0.70%.

Statistics and information provided by Morningstar and T. Rowe Price. Please visit the T. Rowe Price website at [www.troweprice.com](http://www.troweprice.com) for the most recent performance information. The principal value and investment return will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost.

Returns shown, unless otherwise indicated, are total returns, including any capital gains or losses and all dividend and capital gains distributions.

The performance data quoted represents past performance and in no way guarantees future results. Mutual funds are not FDIC insured.

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# Tax Answers

**Q:** I was laid off last year and have been earning money doing odd jobs. For the first time in my life I have not had taxes withheld. Should I be paying estimated taxes?

**A:** That depends. If you expect to owe \$1,000 or more in taxes for this year, the IRS will expect you to make quarterly payments.

For estimated tax purposes, a year has four payment periods. Taxpayers must make a payment each quarter. For most people, the due date for the first quarterly payment is April 15. The next payments are due June 15 and Sept. 15, with the last quarter's payment due on Jan. 15 of the following year.

Individuals, sole proprietors, partners and S corporation shareholders generally use the worksheet in Form 1040-ES PDF. Taxpayers can pay online, by phone or by mail. The Electronic Federal Tax Payment System and IRS Direct Pay are two easy ways to pay. EFTPS keeps a record of payments, so users can see how much they paid and when.

If a taxpayer underpaid their taxes, they may have to pay a penalty. In general, taxpayers don't have to pay a penalty if they meet any of these conditions:

They owe less than \$1,000 in tax with their tax return or

Throughout the year, they paid the smaller of these two amounts: at least 90 percent of the tax for the current year or 100 percent of the tax shown on their return for the prior year – this can increase to 110 percent based on adjusted gross income

To see if they owe a penalty, taxpayers should use Form 2210 PDF. The IRS may waive the penalty if someone underpaid because of unusual circumstances and not willful neglect.

**Q:** I am starting a small business and will have four employees. What payroll taxes will I be responsible for?

**A:** Federal law requires most employers to withhold federal taxes from their employees' wages. You will need to start with your employee's W-4 and the withholding tables described in Publication 15,

Employer's Tax Guide. Most employers also withhold social security and Medicare taxes from employees' wages and deposit them along with the employers' matching share. Employers report and pay Federal Unemployment Tax (FUTA) separately from other taxes. Employees do not pay this tax or have it withheld from their pay. Businesses pay FUTA taxes from their own funds.

Generally, employers pay employment taxes by making federal tax deposits through the Electronic Federal Tax Payment System (EFTPS). The amount of taxes withheld during a prior one-year period determines when to make the deposits. Publication 3151-A, The ABCs of FTDs: Resource Guide for Understanding Federal Tax Deposits and the IRS Tax Calendar for Businesses and Self-Employed are helpful tools.

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**Generally, employers report wages and compensation paid to an employee by filing the required forms with the IRS. Employers submitting the forms themselves will need to purchase IRS-approved software.**

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Generally, employers report wages and compensation paid to an employee by filing the required forms with the IRS. E-filing Forms 940, 941, 943, 944, and 945 is an easy, secure, and accurate way to file employment tax forms. Employers filing quarterly tax returns with an estimated total of \$1,000 or less for the calendar year may now request to file Form 944, Employer's ANNUAL Federal Tax Return once a year instead. At the end of the year, the employer must provide employees with Form W-2, Wage and Tax Statement, to report wages, tips, and other compensation. Small businesses file Forms W-2 and Form W-3, Transmittal of Wage and Tax Statements, with the Social Security Administration and, if required, state or local tax departments. Business owners can make things a little easier on themselves by filing payroll and employment taxes electronically.

Employers submitting the forms themselves will need to purchase IRS-approved software. There may be a fee to file electronically. The software will require a signature in one of two ways. The first way is by scanning and attaching Form 8453-EMP, Employment Tax Declaration for an IRS e-file Return. The second is to apply for an online signature PIN. Taxpayers should allow at least 45 days to receive their PIN. The software will prompt the user on the steps needed to request the PIN.

**Q:** **I don't usually need to file an income tax return. How do I sign up for the monthly Advance Child Tax Credit payments?**

**A:** An online Non-filer Sign-up tool went live on the IRS.gov website on July 15 to help you. This tool provides a free and easy way for eligible people who don't make enough income to have an income tax return-filing obligation to provide the IRS the basic information needed—name, address, and Social Security numbers - to figure and issue their Advance Child Tax Credit payments. People who did not file a tax return for 2019 or 2020 and who did not use the IRS Non-filers tool last year to register for Economic Impact Payments can also use this tool.



**Q:** **How can I cancel an Employer Identification Number (EIN) that I no longer use?**

**A:** The IRS cannot cancel your EIN. Once an EIN has been assigned to a business entity, it becomes the permanent Federal taxpayer identification number for that entity. Regardless of whether the EIN is ever used to file Federal tax returns, the EIN is never reused or reassigned to another business entity. The EIN will still belong to the business entity and can be used later, should the need arise.

However, If you receive an EIN but now no longer need it, the IRS can close your business account. To close your business account, send a letter that includes

the complete legal name of the entity, the EIN, the business address and the reason you wish to close your account. If you have a copy of the EIN Assignment Notice that was issued when your EIN was assigned, include that and mail to:

Internal Revenue Service  
Cincinnati, Ohio 45999

If you applied for an EIN for an exempt organization that (1) never applied for formal exemption, (2) is not covered in a group ruling, or (3) never filed an information return, you may fax a request to close your account to (855) 214-7520) or send a letter to:

Internal Revenue Service  
Attn: EO Entity  
Mail Stop 6273  
Ogden, UT 84201

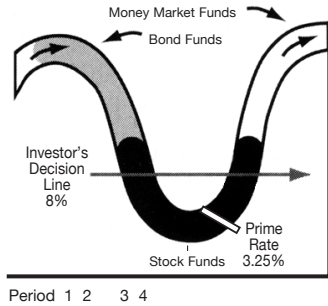
**Q:** **I build furniture for fun in my spare time. If I sell some of my work, can I deduct the equipment and expenses on my taxes?**

**A:** That depends. Do you make furniture as a hobby or a business? You can claim a deduction if you turn your hobby into a business. A hobby is any activity you pursue and enjoy with no intention of making a profit. The IRS defines a business as “the intent to make a profit”. Here’s some key differences:

- Whether the activity is carried out in a businesslike manner and the taxpayer maintains complete and accurate books and records.
- Whether the time and effort the taxpayer puts into the activity shows they intend to make it profitable.
- Whether they depend on income from the activity for their livelihood.
- Whether any losses are due to circumstances beyond the taxpayer’s control or are normal for the startup phase of their type of business.
- Whether they change methods of operation to improve profitability.
- Whether the taxpayer and their advisors have the knowledge needed to carry out the activity as a successful business.
- Whether the taxpayer was successful in making a profit in similar activities in the past.
- Whether the activity makes a profit in some years and how much profit it makes.
- Whether the taxpayers can expect to make a future profit from the appreciation of the assets used in the activity.

# The Money Movement Strategy

**Prime Rate Chart for Money Movement Strategy**



Long-Term Direction: Level  
Monthly Change: 0.00%

## How It Works

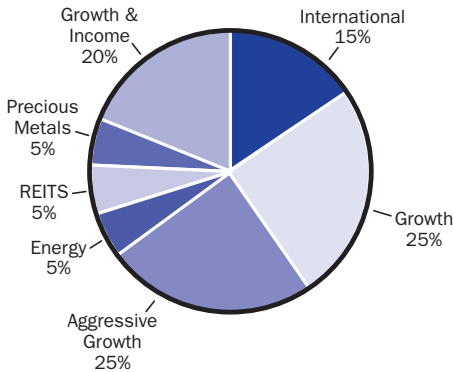
Long-term increases or decreases in the value of stocks, bonds and money market instruments are caused by changes in interest rates, primarily the Prime Rate. Of the three categories of mutual funds — stock, bond, or money market, there is only one type of investment that will give you above-average returns at any given time.

The Money Movement chart represents typical changes of interest rates smoothed out over time. The Investor's Decision Line (IDL) indicates the point at which you should move your money from one type of fund to another. At this time, the IDL indicates stock funds.

# Models For Portfolio Management

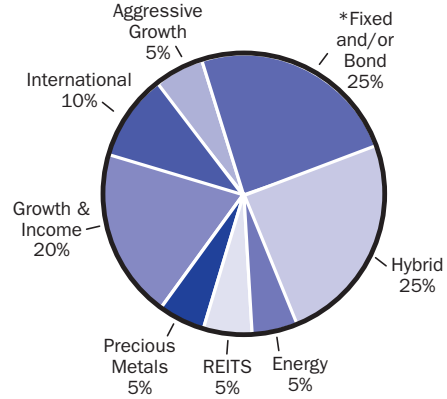
## Aggressive

Keep all mutual funds and retirement money in stock funds.



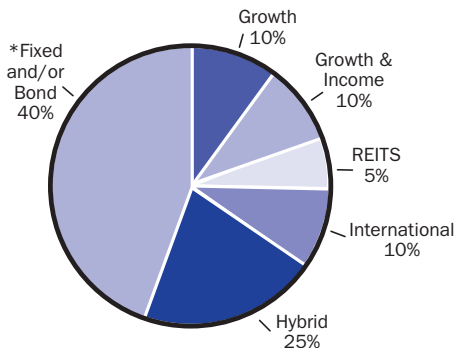
## Moderate

Keep most mutual funds and retirement money in stock funds.



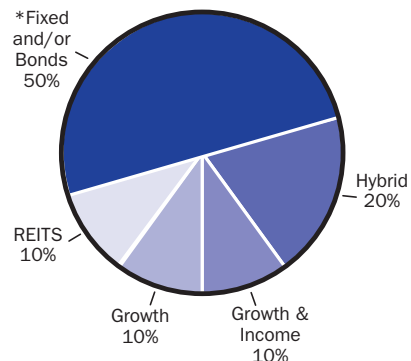
## Conservative

Keep most mutual funds and retirement money in stock funds.



## Retirees

Note: This portfolio does not follow the Money Movement Strategy! Create the proper mix of Stock, Bond, and money market funds.



\*Fixed Market-Linked CDs



## No-Load Mutual Funds\*

Fund Name/Type	Stock Symbol	Buy, Sell or Hold	3 Month % Change	Average Annual Returns as of to 6/30/21			Expense Ratio
				1 Year % Change	5 Year % Change	10 Year/ % Change	
<b>Aggressive Growth</b>							
BNY Mellon Small Cap Index	DISSX	Buy	4.37	66.65	15.28	13.03	0.50
Kinetics Paradigm No Load	WWNPX	Buy	-1.30	91.20	23.49	15.00	1.64
Needham Growth	NEEGX	Buy	7.32	53.54	10.84	12.88	1.85
Schwab Hedged Equity Select	SWHEX	Buy	7.45	19.84	5.58	5.68	1.91
Value Line Small Cap Opp	VLEOX	Buy	2.82	41.45	16.25	13.93	1.19
<b>Growth</b>							
American Century Mid Cap	ACMVX	Buy	3.20	40.55	10.30	11.58	0.98
BNY Mellon MidCap Index	PESPX	Buy	3.51	52.55	13.74	11.87	0.50
Harbor Mid Cap Growth Inv	HIMGX	Buy	5.02	45.65	25.51	16.02	1.24
Janus MidCap Value T	JMCVX	Buy	3.01	36.95	9.71	8.67	0.99
Neuberger Berman Partners Inv	NPRTX	Buy	3.46	59.41	18.07	12.31	0.85
Selected American Shares	SLASX	Buy	6.87	54.48	16.22	12.40	0.98
American Century Small Cap Value	ASVIX	Hold	5.70	82.75	16.85	12.46	1.25
<b>Growth &amp; Income</b>							
American Century Equity	TWEIX	Buy	4.60	26.10	9.63	10.30	0.92
American Century Large Value	ALVIX	Buy	4.07	34.51	10.65	10.73	0.84
Fairholme	FAIRX	Hold	-1.71	51.98	10.20	7.04	1.03
Parnassus Equity Income Inv	PRBLX	Buy	7.39	42.35	17.77	15.07	0.84
Janus Contrarian	JSVAX	Buy	11.15	59.09	20.89	13.51	0.82
T. Rowe Price Equity Income	PRFDX	Buy	4.48	47.77	12.33	10.70	0.65
<b>Hybrid</b>							
American Century Balanced	TWBIX	Buy	4.52	20.65	10.73	9.14	0.91
James Balanced Golden Rainbow	GLRBX	Buy	4.41	15.38	3.57	4.77	1.13
Oakmark Equity & Income	OAKBX	Buy	6.01	42.12	11.95	8.77	0.84
Pax Sustainable Individual Inv	PAXWX	Buy	5.66	26.57	11.51	8.62	0.87
Permanent Portfolio	PRPFX	Buy	5.25	26.81	9.37	5.16	0.83
Value Line Asset Allocation Inv	VLAAX	Buy	5.96	16.14	12.13	10.42	1.08
<b>International</b>							
American Century Intl Growth	TWIEX	Buy	5.97	35.39	13.75	7.81	1.18
Artisan International Inv	ARTIX	Buy	5.93	24.28	10.37	7.34	1.19
Matthews China Investor	MCHFX	Hold	4.33	36.31	22.71	8.81	1.09
William Blair Intl. Growth	WBIGX	Buy	9.76	42.17	14.69	8.52	1.45
T. Rowe Price Emerging	PRMSX	Buy	1.48	33.88	13.21	5.48	1.21
<b>Sector Funds</b>							
American Century Real Estate Inv	REACX	Buy	12.13	33.67	6.35	9.27	1.16
Cohen & Steers Realy Shares	CSRSX	Buy	12.01	35.75	9.16	10.27	0.88
T. Rowe Price Health Sciences	PRHSX	Buy	9.82	33.28	18.46	19.55	0.76
USAA Precious Metals/Minerals	USAGX	Sell	4.06	-6.30	3.92	-2.80	1.19
US Global Investors Global Res	PSPFX	Hold	2.82	67.28	9.22	-2.80	2.11
<b>Bond Funds</b>							
American Century Infl-Adj Bond	ACITX	Buy	3.30	7.04	3.77	2.93	0.47
Fidelity Capital & Income	FAGIX	Buy	4.12	26.45	9.95	7.58	0.68
Janus Flexible Bond	JAFIX	Buy	2.27	2.39	3.76	3.89	0.69
Loomis Sayles Bond Retail	LSBRX	Buy	3.94	11.12	4.27	4.13	0.92
Pax High Yield Bond Indv Inv	PAXHX	Buy	1.99	11.72	7.03	4.97	0.96
American Century Sh-Dur Bd fund	APOIX	Buy	1.89	6.91	2.80	1.92	0.57
Western Asset Core Bond	WATFX	Buy	2.19	1.60	3.99	4.26	0.46

The performance data quoted represents past performance and the principal value and investment return will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Returns shown, unless otherwise indicated, are total returns, with dividends and income reinvested. Past performance is no guarantee of future results.

Since it purchases equity securities, including common stocks, the Fund is subject to the risk that stock prices will fall over short or extended periods of time. The Fund may buy and sell securities frequently as part of its investment strategy. This may result in higher transaction costs and additional tax liabilities.

*Mutual funds are sold by prospectus. An investor should consider the investment objectives, risks, charges and expenses of the investment company carefully before investing. The prospectus contains this and other information about the investment company. Please read the prospectus carefully before you invest or send money.*

Statistics and information provided by Morningstar.

\*\* IAS Owners and employees may hold a position in any of the listed funds.

\* Some funds may be closed to New investors due to demand.

# Is Your Retirement Savings Too Volatile?

## Have You Explored All Your Options?

Now that you have built your investment portfolio, is asset preservation more important than volatile growth? If you are interested in strategies focused on methods that may offer less volatility while still offering growth potential, then call **Daniel Trivison** at

**THE INVESTMENT HOTLINE**

**800-697-2662**

We can also answer your questions regarding the following investments:

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## Debt Decisions

**Q:** A debt consolidation company offered me much lower monthly payments to consolidate my total debt. But now they are saying they will have to negotiate a lower balance on each of my accounts. Will this affect my credit score?

**A:** Yes. Beware of debt settlement companies masquerading as ‘debt consolidation’. Anytime you negotiate to pay less than the total amount due, this is called debt settlement. If this is really what you want to do, you can probably do it yourself cheaper by going directly to the credit card companies.

**Q:** A debt settlement company told me the process won’t hurt my credit much. Is that possible?

**A:** That depends on your current score and circumstances. On average, debt settlement can initially lower your credit score by at least 100 points. However, it is not the settlement that hurts your credit the most, it’s the missed payments that precede the settlement. It is rare for a creditor to negotiate a settlement with someone who is making their payments as agreed. The debt settlement strategy involves you making zero payments to your creditors for six months or more to force the creditor into negotiating a settlement.

If you have a high credit score, defaulting on even one credit card payment can drastically change your ability to get credit. However, if you have already missed several months payments on your debts, then the damage is already done and settling your debt for less than owed isn’t going to change your credit worthiness much. The missed payments will remain on your credit for seven years from the

date of your first missed payment but you can typically start rebuilding in around three years. In summary, only you can decide if your need for good credit outweighs your need to eliminate debt.

**Q:** Are there any options for settlement that will help me lessen the impact to my credit score?

**A:** Establishing a debt management plan with a non-profit organization could be a viable option. Free credit counseling services such as [www.ConsumerCredit.com](http://www.ConsumerCredit.com) provide resources to help you negotiate a more affordable payback. You probably will not see as much debt relief, but the tradeoff is you should be able to salvage more of your credit.

You can find free or low-cost credit counseling options thru many sources including credit unions, religious and other nonprofit agencies. or even a place where you have been denied credit such as a mortgage lender. Make sure that your credit counseling service is accredited by the National Foundation for Credit Counseling (NFCC) or the Financial Counseling Association of America (FCAA)

If you are active-duty military, the Servicemembers Civil Relief Act (SCRA) can assist. Under this act, they may qualify for a reduced interest rate on mortgages and credit card debts. It can offer protection from eviction. It can also delay civil court including bankruptcy, foreclosure, or divorce proceedings. To find out if you qualify, contact your local Armed Forces Legal Assistance office.

**Q:** How do I file bankruptcy?

**A:** Federal courts have jurisdiction over all bankruptcy laws, so you must file a petition in a federal bankruptcy court. You can find fillable, downloadable forms online on the U.S. Bankruptcy Court’s website at [www.uscourts.gov/forms/bankruptcy-forms](http://www.uscourts.gov/forms/bankruptcy-forms) You can file yourself but the bankruptcy and petition process is complicated, so it can be difficult to file without an attorney

There are two main types of personal bankruptcy:

**Chapter 13** allows individuals with regular income to keep their assets and develop a plan to repay all or part of their debts. Under this chapter, debtors propose an affordable repayment plan to make payments to creditors over three to five years.

**Chapter 7** is known as straight bankruptcy. It involves liquidating all assets that are not exempt under federal or state law. That means, your home and other assets could be sold and the proceeds used to pay creditors.

You will also need to provide detailed financial information including itemized statements of monthly net income and proof of income (pay stubs) for the last 60 days. You are required to provide tax returns for the preceding year (four years for Chapter 13 bankruptcies). You will also have to take a pre-filing credit counseling and post-filing education course to have debts discharged.

# FREE Portfolio Review

Remove or copy and complete this form and return it to us by fax or mail for a free analysis and consultation.

Name: \_\_\_\_\_ ID#: \_\_\_\_\_

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City: \_\_\_\_\_ State: \_\_\_\_\_

Phone #'s: \_\_\_\_\_

Best time to be reached: \_\_\_\_\_

## I would like help with the following:

- Setting up or analyzing retirement plan(s)
- Opening a Retirement Plan for my business
- College Funding for my children/family
- Investing for Current Income
- Review of 401(k), 403(b) or other retirement plan
- Investing in Mutual Funds
- Transferring or Rollover of IRA or retirement account
- Review of my Investment Portfolio
- Where to invest in 2021

## Savings (IRA, 401(k), CDs, etc.):

- 0 - \$10,000
- \$10,001 - \$50,000
- \$50,001 - \$100,000
- \$100,001 - \$500,000
- \$500,001 +

## Investment Goals:

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**Fax to:** 407-253-4148

**Mail to:** IAS Financial  
Portfolio Review  
P.O. Box 915109  
Longwood, FL 32791



# From the Financial Hotline

Call, fax or e-mail for answers to all your financial questions.

**Q: I received an SBA loan for small businesses under the Covid-19 EIDL program. Originally my first loan payment was due in June of 2021 but when I went to pay it shows a later date. Was there a change?**

**A:** The U.S. Small Business Administration announced extended deferment periods for all disaster loans, including the COVID-19 Economic Injury Disaster Loan (EIDL) program, until 2022. All SBA disaster loans made in calendar year 2020, including COVID-19 EIDL, will have a first payment due date extended from 12-months to 24-months from the date of the note. All SBA disaster loans made in calendar year 2021, including COVID-19 EIDL, will have a first payment due date extended from 12-months to 18-months from the date of the note.

**Q: I am currently negotiating a settlement for an injury that occurred at work. Will I have to report the payout on my taxes?**

**A:** That depends. Awards and settlements can be divided into two distinct groups to determine whether the payments are taxable or non-taxable. The first group includes claims relating to physical injuries (usually nontaxable) and the second group is for claims relating to non-physical injuries which are usually taxable. Within these two groups, the claims usually fall into three categories:

- 1 Actual damages resulting from physical or non-physical injury.
- 2 Emotional distress damages arising from the actual physical or non-physical injury.
- 3 Punitive damages.

Here are some key points to consider:

**Consult a tax professional before you settle.**

Many people do not realize they may have taxes due until they receive a 1099 so be sure to do some tax planning.

**Origin of claim.** This is legal speak for “what did you ask for?” If you sued for lost wages, then the payment received will be considered income and taxed as wages. On the other hand, if you are suing for medical expenses or damages to your property value, the award would probably not be considered as income.



**Be clear on what is physical and what is emotional.**

In general, personal injury awards are not taxable but be careful to check for exceptions. The payments for physical injuries and physical sickness are tax-free, but symptoms of emotional distress are not considered physical. Since 1996, your injury must be “physical.” If you sue for intentional infliction of emotional distress, your recovery is taxed. Physical symptoms of emotional distress (like headaches and stomachaches) probably would be taxed, but physical injuries or sickness is generally nontaxable. There are many cases where the tax liability is hard to call. For example, if you are awarded money because harassment from your

• continued on page 15

# Economic Outlook

—By Russ Colbert

The months continue to go by as many consumers rely on the stimulus payments, loose monetary policy, along with the re-opening of the economy, causing the increase in real GDP as we go forward through the year. We believe that real GDP will come in around 6.5% or better for the 2nd quarter annualized rate. Remember that much of the recent growth that we have seen is caused by the stimulus low interest rates and states opening back up. Economic growth may start to slow in the second half of the year and even more during next year. We should recognize that although we welcome the rapid growth of the economy, we will most likely have some bumps in the road ahead. During the second half of the year GDP will likely hit new highs, coming in much higher than the last half of last year. Overall things still look good as the states continue to open-up during the rest of the year and add their growing businesses to the economy.

So far this year we are seeing car and light truck sales rise at a good pace. Retail sales have gone up at a strong pace and seem to be recovering nicely so far. As Americans go back to normal activities such as shopping, recreation, restaurants, bars, etc. it will continue to increase business. So far, we feel the spending on goods and services has added over half to the current GDP numbers. We are seeing continued improvement in business investment, as the recovery continues to be led by investment in business equipment. Investment in intellectual property is picking up, as well as commercial construction is improving. Residential construction continues to grow, but not as fast as previous months, reflecting higher construction costs and less labor being available. Improvement and faster economic growth has brought an increase in the trade deficit caused by a faster recovery in the U.S. and Europe. Inventories have pulled back over the past few quarters due to businesses with supply-chains having issues causing them to dip into inventories to meet consumer demand. Lately, the inventories have shown some recent improvement. When you add it all up, we should continue to have an improving economy with an above average GDP through the rest of the year.

There has been nothing normal about the current economy. Our government has done unprecedented things over the past year. This has not been a normal business cycle. The contraction in the economy last year was not a normal recession. The return of growth over the past year has not been a normal recovery. Countries across the world shut down major parts of their economies and kept people from working. This caused major disruptions with supply chains and put businesses under much stress and the displacement of millions of workers. We still have worker shortages, many believe due to workers continuing to receive government funds, making it more attractive to stay home than go back to work. We believe much of that may be running out over the next few months and more people will be moving back into the workforce. We need to continue to monitor this new strain of Covid-19 (Delta Variant) and make sure it stays under control. We also need to keep an eye on inflation going forward. It all brings us to where we are today. Things have dramatically improved for most states. Spending is up and the economy is expanding due to the states opening and getting back to work. For now, we see continued reopening of businesses and states, easy money, low interest rates, and deficit spending pushing economic growth and profits up. Again, we need to keep our eye on the economy, but for now things still look positive going forward.

If you have any questions or need a portfolio review to keep you on track with your investments or retirement plan, please call me.

**If you have any questions or need a portfolio review to keep you on track with your investments or retirement plan, please call me.**

Russ Colbert

Senior Portfolio Manager

1-888-878-0001



**Financial Hotline** • *continued from page 13*

boss caused your frequent headaches, it could be argued the headaches are physical, but they also may be classified as manifestations of emotional distress. It is harder to fight the differences once the 1099 is issued it's best to sort it out now before you sign a settlement.

**Watch out for taxes on attorney's fees.** If your award is considered nontaxable, this won't apply to you. But if it is taxable (even if the opposing side pays your attorney directly) you could still be charged that fee for tax purposes. Changes to tax laws in the past years also eliminated the deduction for legal fees. That means if you are awarded \$100,000 and \$33,000 goes to your lawyer, you could get a tax bill based on the full \$100,000.

**Know the difference between compensatory damages and punitive damages.** Compensatory damages are meant to compensate the victim. It reimburses you for your expenses and for the income you lost. Punitive damages are meant as punishment to the defendant. The main difference is punitive damages are always taxable.

**Q: I received an inheritance, and I deposited the resulting cashier's check for \$12,000 in my bank account. My bank gave me notice that they were required to report the deposit to the IRS. The inheritance is nontaxable so why would they do that?**

**A:** The reporting is not about your tax liability. The Bank Secrecy Act requires that trades and businesses report cash payments of more than \$10,000 to the federal government by filing IRS Form 8300. The information contained in the form assists law enforcement in its anti-money laundering efforts. When businesses comply with the reporting laws they provide authorities with an audit trail to investigate possible tax evasion, drug dealing, terrorist financing and other criminal activities. The law is not limited to banks. A cashier's check or money order is considered the same as cash. Any business that receives a payment of \$10,000 or more in cash or cash equivalent must report the transaction using form 8300.

**Q: My mother passed away recently leaving a timeshare with expensive monthly fees that I do not want to keep. Can I be forced to inherit it?**

**A:** It is possible to decline all or any any part of an inheritance and any responsibilities that go with it. You can refuse to inherit the time share but it isn't as easy as just saying no. Each state has a specific process for you to disclaim an inheritance and there are usually timelines to consider. The first rule is do not accept or use the asset in any way. If you enjoy any benefits from the asset you are declining, that may be construed as accepting it. That means, don't go for one last vacation in mom's timeshare.

Your inheritance disclaimer must be in writing and specifically state that you refuse to accept the assets in question and that this refusal is irrevocable. That means it is permanent. Once you refuse it you can't reverse it.

Don't delay, most states only give you nine months to make the disclaimer. If the beneficiary is a minor, they have until nine months after they reach legal age.

Be sure to check the guidelines in your state. For example, some states might require that a disclaimer be notarized or witnessed. Some require it to be sent only to the executor of the estate, while others require it to be recorded on public record.

Once you sign off on a refusal to inherit, the assets you would have received are passed on to the next closest heir. Therefore, if you are wanting an asset to pass to a specific person, you will need to be sure they are next in line to inherit. If they don't want it either, they will also need to formally disclaim the inheritance.





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