Volume 41, No. 2

Success InSight®

Summer 2023

Renting a Room

Need extra income? Think about renting space in your home. The idea of sharing space with a stranger can be scary but it doesn't have to be. Unless your HOA says differently, taking on a boarder is legal in most municipalities.

The two most important rules for success are a thorough tenant application and a well written lease. No matter how well you know someone, it is just good business to take an application, check references and do a background check. There are multiple online services such as RentPrep that offer screening starting around $20.

The two most important rules for success are a thorough tenant application and a well written lease.

Even if your new tenant is a longtime friend or relative, you must have a written lease agreement that leaves no room for confusion. You can find sample room leases specific to your state through many online sites. Besides the basics, be sure to specify pet policies, whether utilities will be included and who is responsible for maintenance and cleaning of any shared areas. Don't forget to list how much notice you each have for terminating the lease. Make your house rules part of the lease. You can restrict parking, specify quiet hours, smoking policies, and overnight guests. It is your home so you can ban cooking smelly foods or alcoholic beverages. Something as simple as assigning alternating days for laundry room use can avoid potential conflict.

Here are some other key points to consider:

1. Check out rental restrictions at the local and state level at online sites like Avail.co, NOLO.com, and Municode.com
2. Review the basics of the landlord/tenant laws in your state.
3. Review your home layout and consider how an extra person will affect your life.
4. Determine the size of the space you will rent and how much of the common area you will share. You may want to share the entire house or you could add a mini fridge and microwave to your rental room and restrict a boarder to only their space.
5. Specify which bathroom(s) your tenant can use. You can't deny your tenant a bathroom, but you can limit them to a specific one.
6. Record a thorough inventory of what is included and complete a walkthrough inspection with your tenant at lease signing. A written along with video or photo record is helpful.
7. Determine your ideal tenant. Are you comfortable with male or female? Do you prefer a college student or a retiree? Knowing the type of tenant, you want will help you decide where to market. For instance, if you relate to medical professionals, advertising at

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Benefits and Services

You must be an active, dues-paid member to qualify for these exclusive services.
All times listed are Eastern Time.

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- Personal Portfolio Review
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- Small Business Resources
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T. Rowe Price Capital Appreciation ETF (TCAF)

What is an Exchange Traded Fund (ETF)? Mutual funds and exchange-traded funds (ETFs) have much in common. Both mutual funds and ETFs are offered in many different varieties (stock funds, bond funds, sector funds, etc.) and are popular vehicles investors can use to diversify their investment holdings.

While mutual funds and ETFs are similar in many respects, there are some differences between the two options. Perhaps the most notable difference between the two is that ETFs can be traded intra-day like stocks, while mutual funds can only be purchased at the end of each trading day based on a calculated price known as the net asset value (NAV).

Mutual funds have been around for almost 100 years, with the first mutual fund coming on line in 1924. ETFs are relatively new. The first ETF, an index fund tracking the S&P500® Index, launched in 1993.

The T. Rowe Price Capital Appreciation ETF is essentially brand new, going live just a couple of months ago. However, it's sibling the T. Rowe Price Capital Appreciation Fund was launched in 1986 and has been a consistently outstanding performer in its category. An important distinction between the two is that the mutual fund is a balanced fund, investing in both the stock and bond markets, while the ETF is strictly a stock fund.

The fund is managed by David R. Giroux, CFA. Mr. Giroux has been with T. Rowe since 1998 and is head of Investment Strategy and chief investment officer for T. Rowe Price Investment Management. David is a six-time nominee and two-time winner of Morningstar's Fund Manager of the Year award. David's fund also has won 18 Best Fund awards from Lipper.

The fund's stated objective is to invest primarily in large U.S. companies of both growth and value styles. Using a "bottom up" approach, the fund holds approximately 100 securities of companies displaying favorable traits such as experienced and capable management, strong risk-adjusted return potential, leading or improving market position or proprietary advantages, and/or attractive relative market valuations. Amongst its top holdings are familiar names such as Apple, Microsoft, Amazon and UnitedHealth Group.

We're excited about this offering because due to its outstanding performance, the T. Rowe Price Capital Appreciation Fund has been closed to new investors for quite some time. Now with the advent of the ETF offering, new investors have the opportunity to climb aboard. But please remember, this is a stock fund, not a balanced fund like its mutual fund sibling.

It's not typically our policy to profile new offerings as we prefer to allow a track record to be established over a multi-year timeframe. However, given that this is an offshoot of a fund lead by a manager with an enviable long-term performance history, we've made an exception to our approach.

The gross annual expense ratio is 0.31%. Due to the fact that this is a brand-new offering, there's no historic performance data to detail. From its inception on June 14, 2023 through end of day July 27, 2023 the fund was up 4.28%.

If you're interested in this fund, or would like a portfolio review to determine if this fund might be an appropriate addition to your portfolio, please call Ted Black, CFP® at 888-878-0001, extension 3.

Ted Black, CFP®
888-878-0001, extension 3
Advisory services offered through
Royal Palm Investment Advisors, Inc.,
a Registered Investment Advisor.

Is a Reverse Mortgage the Best Option?

Home equity represents a significant portion of the average retiree's wealth. If you're 62 or older and house-rich but cash-poor, a reverse mortgage loan allows you to convert part of the equity in your home into cash - without having to sell your home. You can use this cash to finance a home improvement, pay off your current mortgage, supplement your retirement income, or pay for healthcare expenses. A reverse mortgage is not without risk, however. Reverse mortgages operate like traditional mortgages, only in reverse. Rather than paying your lender each month, the lender pays you. There are three types of reverse mortgages available. The most common is the Home Equity Conversion Mortgage (HECM) insured by the federal government, but it may include higher monthly fees. You can forego private mortgage insurance premiums if you choose to use a private lender (Proprietory Reverse Mortgage) that is not FHA insured, or a Single-Purpose Reverse Mortgage that are offered by state and local governments or non-profits.

The primary benefit of a reverse mortgage is that it allows eligible homeowners to keep living in their homes and use their equity for whatever purpose they choose. Depending on the lender, borrowers can choose to receive monthly payments, a lump sum, a line of credit, or some combination of these. Reverse mortgages differ from home equity loans in that most reverse mortgages do not require repayment of principal, interest, or servicing fees if you live in the home. Instead, the loan is repaid when you die or sell the home.

The proceeds of a reverse mortgage generally are tax-free, and interest on reverse mortgages is not deductible

until you pay off the debt. When you die or move out, the loan is paid off by selling the property. Any leftover equity belongs to you or your heirs. If you receive Social Security Supplemental Security Income, reverse mortgage payments do not affect your benefits if you spend them within the month they are received. This rule is also valid for Medicaid benefits in most states.

To be eligible for a reverse mortgage, generally you must:

- Be 62 years of age or older.
- Either completely own your home or meet applicable equity requirements.
- Live in the home.
- Be able to pay property taxes and other expenses associated with the property, such as insurance, maintenance and repairs, and any homeowner association fees.

The primary benefit of a reverse mortgage is that it allows eligible homeowners to keep living in their homes and use their equity for whatever purpose they choose.

Maximum loan amounts range (depending on the lender) from 50% to 75% of the home's fair market value. All reverse mortgages have nonrecourse clauses, meaning the debt cannot exceed the home's value. Maximum loan amount limits are based on the value of the home, the borrower's age and life expectancy, the loan's interest rate, and whatever the lender's policies are.

There are downsides to reverse mortgages. If you already have a substantial mortgage on your home or you plan to move a few years down the road or there is a possibility you will have to move due to illness or any other unforeseen event, then a reverse mortgage probably doesn't make sense. Several additional downsides of reverse mortgages include:

- **Increasing Debt.** Reverse mortgages (fixed-rate or adjustable-rate) are rising-debt loans in that the interest is added to the monthly loan balance. Because it is not paid currently, the total interest you owe increases greatly over time as the interest compounds.
- **Less inheritance.** If you want to pass your home to your children or other heirs, the reverse mortgage is

not a good choice because the lender could get most of the equity when the home is sold, leaving fewer assets for your heirs.

- **Higher Costs Up Front.** The high up-front costs of reverse mortgages may make them less attractive to some people. All three types of plans charge an origination fee, interest rate, closing costs, and servicing fees. Insured plans also charge insurance premiums.
- **Complicated terms.** Many loans are difficult to understand, and you may end up with less money coming in or unexpected fees or restrictions.
- If you don't keep up the maintenance and pay your insurance and taxes on time, you could be at risk for losing your home.
- **Adjustable vs. Fixed Interest Rates.** With many reverse mortgage plans, interest rates are adjustable annually or monthly and tied to a financial index, sometimes with limits on how far the rate can go up or down. Reverse mortgages with interest rates that adjust monthly may have no limit.
- **Loss of alternative sources of income.** The income could impact your ability to qualify for government programs such as Medicaid or Supplemental Security Income or community-based services such as free meals or housing assistance.
- **Beware of Scams.** Because these are complicated loan programs, they are commonly used in scams that prey on older citizens.

Reverse mortgages are a complex financial tool that may be the answer for some house-rich and cash-poor retirees planning to age in place, but they are not for everyone. If you need more income, a Reverse Mortgage is an easy option, but it may not be the best. Consider these alternatives:

1. **Sell your home and downsize.** A cheaper, smaller home may free up cash and save money on insurance, taxes, and upkeep.
2. **Sell your home with a long-term leaseback.** A neighbor or family member may be the first choice for this strategy, but an investor may be interested as well. Get a lump sum cash payment plus a landlord to maintain the upkeep on the home.
3. **Rent a room for additional income.** In today's high priced rental market, taking on a renter can bring in substantial income.
4. Refinance your current mortgage to lower your current payments or change your loan term. A home equity loan or cash-out refinance would allow you to borrow funds needed for improvements or other pressing costs.

Renting a room

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your local hospital may be a good place to start.

8. Understand your tenant's legal right to privacy. Install proper locks on their room(s) and review your state's laws regarding restrictions on the landlord's right to access.
9. Require a refundable security deposit.
10. Determine how much you will charge for rent and what it will include. Check local listings for rooms to rent and see how yours compares. If you need a specific amount of extra cash each month, start with that number and try to create a product that will bring that price. For instance, if you need to charge top dollar, it may be hard to include multiple restrictions. If you can offer extras like storage space or perks like a workout room or pool use, you can increase the price accordingly. Don't forget to figure in any extra expense you may occur such as an increase in utilities, homeowner's insurance, and taxes.

Q: Where can I advertise a room for rent?

A: Getting a referral through friends and family is a good start. Social media and neighborhood websites are a good resource. You can also choose from many online sites like reputablerooms.com, roommates.com or spareroom.com.

Q: Are room rentals covered under the Fair Housing Act?

A: The FHA prohibits discrimination in housing in the sale or rental of a dwelling. The traditional definition would imply that applies to renting an entire house, not space within your personal home. The FHA does not allow anyone to use discriminatory language when advertising for a roommate or boarder, except that you can specify the preferred sex. However, when it comes to choosing which interested person will live in

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From the Tax Hotline

Q: Is my college student's scholarship taxable?

A: That depends. Generally, a scholarship is an amount paid or allowed to a student at an educational institution for the purpose of study. It can include both merit and need-based institutional aid and may also be referred to as a grant. Other types of grants include need-based grants (such as Pell Grants or state grants) and Fulbright grants. A fellowship grant is generally an amount paid or allowed to an individual for study or research.

Fulbright grants may be either scholarship/fellowship income or compensation for personal services, which is usually considered wages.

Fulbright grants may be either scholarship/fellowship income or compensation for personal services, which is usually considered wages. If you are a U.S. citizen recipient of a Fulbright grant, you must determine which income category your grant falls into to know how the grant is taxed for U.S. Federal Income tax purposes.

If your child receives a scholarship, a fellowship grant, or other grant, all or part of the amounts received may be tax-free if your child meets certain conditions. Scholarships, fellowship grants, and other grants are tax-free if:

- The student is a candidate for a degree at an educational institution that maintains a regular faculty and curriculum and normally has a regularly enrolled body of students in attendance at the place where it carries on its educational activities; and
- The amounts the student receives are used to pay for tuition and fees required for enrollment or attendance at the educational institution or for fees, books, supplies, and equipment required for courses at the educational institution.

However, the student must include in gross income::

- Amounts used for incidental expenses, such as room and board, travel, student health insurance, and optional equipment.
- Amounts received as payments for teaching, research, or other services required as a condition for receiving the scholarship or fellowship grant. However, students do not need to include in gross income any amounts received for services that are required by the National Health Service Corps Scholarship Program, the Armed Forces Health Professions Scholarship and Financial Assistance Program, or a comprehensive student work-learning-service program (as defined in section 448(e) of the Higher Education Act of 1965) operated by a work college.

Generally, a student reports any portion of a scholarship, a fellowship grant, or other grants that must be included in gross income as follows:

- If filing Form 1040 or Form 1040-SR, include the taxable portion in the total amount reported on the "Wages, salaries, tips" line of the student's tax return. If the taxable amount was not reported on Form W-2, enter "SCH" along with the taxable amount in the space to the left of the "Wages, salaries, tips" line.
- If filing Form 1040-NR, report the taxable amount on the "Scholarship and fellowship grants" line.

If any part of a scholarship or fellowship grant is taxable, the student may have to make estimated tax payments on the additional income.

Q: I don't list my hobby as a business or take any deductions for expenses associated with it. Do I still have to report the income?

A: Yes, the income is taxable and reported on Schedule 1, form 1040. You cannot deduct hobby expenses.

A hobby is any activity that a person pursues because they enjoy it without intending to make a profit. When determining whether your activity is a business or hobby, consider the following nine factors:

- Whether the activity is carried out in a business-like manner and you maintain complete and accurate books and records.
- Whether your time and effort in the activity show you intend to make it profitable.

- Whether you depend on income from the activity for your livelihood.
- Whether any losses are due to circumstances beyond your control or are normal for the startup phase of their business.
- Whether you change methods of operation to improve profitability.
- Whether you and your advisors know how to conduct the activity as a successful business.
- Whether you successfully made a profit from similar activities in the past.
- Whether the activity makes a profit in some years and how much profit it makes.
- Whether you can expect to make a future profit from the appreciation of the assets used in the activity.

Q: How do I notify the IRS of the death of a taxpayer?

A: You just note the death on the final tax return. Write "Deceased" beside their name along with date of death. A surviving spouse or personal representative can file the final return. Here are two things taxpayers should know about filing the final return:

- The surviving spouse generally is eligible to use the married filing jointly or married filing separately filing status when filing the return.
- Surviving spouses with dependent children may be able to file as a Qualifying Widow(er) for two years after their spouse's death. This filing status allows them to use joint filer tax rate schedules (which can be beneficial, depending on income level) and, if they don't itemize deductions, claim the highest standard deduction amount.

Q: Can I deduct the cost of summer camp for my child?

A: You may qualify for the credit whether you pay for care at home, at a daycare facility, or a day camp. Your expenses must be for the care of one or more qualifying persons, such as your dependent child under age 13. Here's what you need to know:

1. You must be paying for the care so you can work or look for work.
2. The total expense you can claim in a year is limited. The limit is generally $3,000 for one qualifying person or $6,000 for two or more.
3. The credit is worth between 20 and 35 percent of your allowable expenses. The percentage depends on your income.
4. Certain types of care don't qualify for the credit, including overnight camps, summer school tutoring, care provided by your spouse or child under age 19 at the end of the year, and care given by a person you can claim as your dependent.

Renting a room

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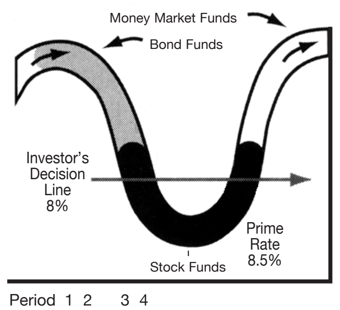
your personal residence, new court rulings allow homeowners to choose based on their own personal criteria, even if it is discriminatory. Keep in mind though, if you were selling or renting an entire unit separate from your own living space, nondiscrimination laws would still apply.

Q: Is the income from renting out a room taxable?

A: Yes, even though it's in your own home, you are still considered a landlord and you must pay federal income tax on your rental income. The amount you owe depends on your filing status and taxable income. In 2023 rental income will be taxed at the same rate as other earned income. Generally, rental income is reported on Form 1040 of your tax return. You can then use the appropriate schedules to deduct expenses related to your rental activities. These deductions can reduce your taxable income and lower your overall tax liability.

The Money Movement Strategy

Prime Rate Chart for Money Movement Strategy



Long-Term Direction: Level
Monthly Change: 0.00%

How It Works

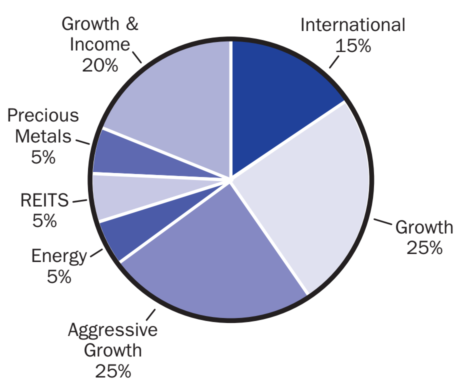
Long-term increases or decreases in the value of stocks, bonds and money market instruments are caused by changes in interest rates, primarily the Prime Rate. Of the three categories of mutual funds — stock, bond, or money market, there is only one type of investment that will give you above-average 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. Contact the Stock amd Mutual Fund Hotline or Investment Hotline for more information.

Models For Portfolio Management

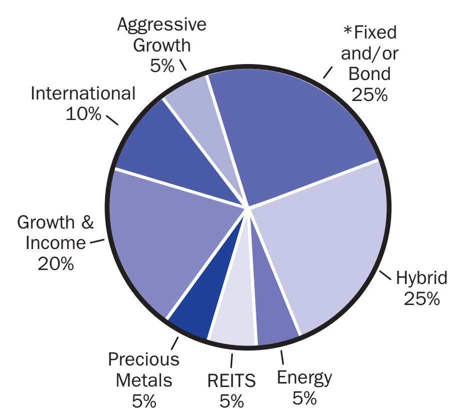
Aggressive

Keep all mutual funds and retirement money in stock funds.



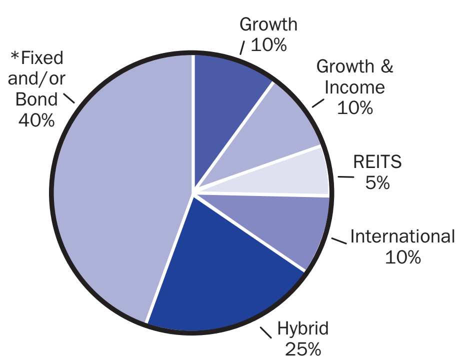
Moderate

Keep most mutual funds and retirement money in stock funds.



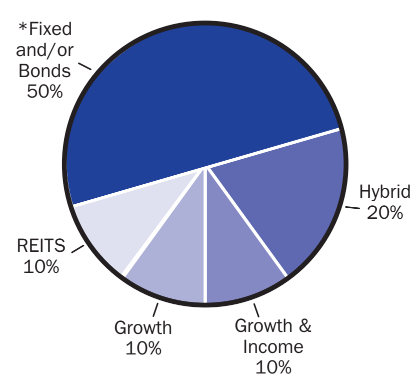
Conservative

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 06/30/23 1 Year % Change	5 Year % Change	10 Year/ % Change	Expense Ratio
Aggressive Growth							
BNY Mellon Small Cap Index	DISSX	Buy	3.26	9.19	4.76	9.32	0.50
Kinetics Paradigm No Load	WWNPX	Buy	-12.80	-4.59	7.64	10.55	1.64
Needham Growth	NEEGX	Buy	13.49	22.85	12.84	10.44	1.86
Schwab Health Care	SWHFX	Buy	0.68	2.43	8.93	10.88	0.80
Value Line Small Cap Opp	VLEOX	Buy	5.35	20.02	9.23	10.81	1.18
Growth							
American Century Mid Cap	ACMVX	Buy	1.45	10.17	7.44	9.66	0.97
BNY Mellon MidCap Index	PESPX	Buy	4.72	16.99	7.26	9.69	0.51
Harbor Disruptive Innovation Inv	HIMGX	Buy	7.18	18.29	5.55	9.40	1.19
Janus MidCap Value T	JMCVX	Buy	3.83	11.57	5.57	7.57	0.75
Neuberger Berman Partners Inv	NPRTX	Buy	-0.37	6.70	12.17	11.21	0.76
Selected American Shares	SLASX	Buy	11.68	21.54	6.56	9.36	0.99
American Century Small Cap Value	ASVIX	Hold	3.71	8.56	7.58	9.63	1.09
Growth & Income							
American Century Equity	TWEIX	Buy	2.35	8.04	7.20	8.61	0.94
American Century Large Value	ALVIX	Buy	3.17	10.66	8.62	8.91	0.83
Fairholme	FAIRX	Hold	13.41	18.95	10.85	6.27	1.00
Parnassus Equity Income Inv	PRBLX	Buy	7.47	17.88	13.13	12.54	0.82
Janus Contrarian T	JSVAX	Buy	5.54	17.34	12.31	10.36	0.98
T. Rowe Price Equity Income	PRFDX	Buy	3.23	8.26	7.82	8.65	0.67
Hybrid							
American Century Balanced	TWBIX	Buy	3.96	10.57	6.08	6.87	0.91
James Balanced Golden Rainbow	GLRBX	Buy	3.16	6.41	1.75	3.04	1.21
Oakmark Equity & Income	OAKBX	Buy	5.33	11.88	6.77	7.47	0.83
Impax Sustainable Allocation Inv	PAXWX	Buy	2.50	7.41	6.81	7.16	0.90
Permanent Portfolio	PRPFX	Buy	1.22	8.50	7.28	5.51	0.82
Value Line Asset Allocation Inv	VLAAX	Buy	4.39	13.81	8.28	8.54	1.04
International							
American Century Intl Growth	TWIEX	Buy	2.43	18.26	4.30	5.68	1.36
Artisan International Inv	ARTIX	Buy	0.89	16.60	3.96	4.88	1.20
Matthews China Investor	MCHFX	Hold	-13.05	-23.98	-2.59	4.32	1.12
William Blair Intl. Growth	WBIGX	Buy	2.56	14.61	4.32	5.50	1.24
T. Rowe Price Emerging	PRMSX	Buy	-1.60	-0.99	-1.10	2.96	1.15
Sector Funds							
American Century Real Estate Inv	REACX	Buy	0.97	-4.99	4.36	5.94	1.15
Cohen & Steers Realy Shares	CSRSX	Buy	3.13	-2.57	6.62	7.71	0.88
T. Rowe Price Health Sciences	PRHSX	Buy	3.44	7.73	9.67	14.01	0.80
USAA Precious Metals/Minerals	USAGX	Sell	-7.29	9.55	6.07	2.79	1.18
US Global Investors Global Res	PSPFX	Hold	-2.30	0.50	2.86	-1.87	1.60
Bond Funds							
American Century Infl-Adj Bond	ACITX	Buy	-1.91	-2.16	2.01	1.63	0.46
Fidelity Capital & Income	FAGIX	Buy	2.05	10.14	5.37	6.20	0.72
Janus Flexible Bond	JAFIX	Buy	-1.29	-1.58	1.12	1.61	0.68
Loomis Sayles Bond Retail	LSBRX	Buy	-0.46	2.39	0.37	1.81	0.91
Impax High Yield Bond Indv Inv	PAXHX	Buy	0.88	6.80	2.32	2.81	0.92
American Century Sh-Dur Bd fund	APOIX	Buy	-1.56	-1.04	2.44	1.50	0.56
Western Asset Core Bond	WATFX	Buy	-1.01	-1.31	0.38	1.86	0.45

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

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.

From the Financial Hotline

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

Q: ***I am a teacher. Are there any tax breaks I can claim for 2023?***

A: Teachers can still deduct unreimbursed expenses such as classroom supplies, training, and travel to reduce 2023 income tax liability even if you don't itemize.
The educator expense deduction allows eligible educators to deduct up to $300 of unreimbursed educator expenses in 2023. If two eligible educators are married and file a joint return, they may deduct up to $600 but not more than $300 each.

You must be a kindergarten through grade 12 teacher, instructor, counselor, principal, or aide for at least 900 hours during a school year in a school that provides elementary or secondary education as determined under state law. You can deduct costs of books, supplies, computer equipment and software, classroom equipment and supplementary materials used in the classroom. Expenses for participation in professional development courses are also deductible, and athletic supplies qualify if used for health or physical education courses. Teachers and other educators can also take advantage of education tax breaks for their own ongoing educational pursuits.AM

Q: ***I am getting married in September. How do I prepare for the next tax season?***

A: If a name changes through marriage, it is important to report that change to the Social Security Administration. The name on a person's tax return must match what is on file at the SSA. If it doesn't, it could delay any tax refund. To update information, file Form SS-5, Application for a Social Security Card. It is available on SSA.gov, by calling 800-772-1213 or at a local SSA office. If you have a change of address, the IRS needs to know. To do that, send the IRS Form 8822, Change of Address.

Newly married couples may need to give their employers a new Form W-4, Employee's Withholding Certificate, within 10 days. If both spouses work, they may move into a higher tax bracket or be affected by the 0.9% additional Medicare tax. They can use the Tax Withholding Estimator on IRS.gov to help complete a new Form W-4.
After you say, "I do," you'll have two filing status options to choose from: married filing jointly or married filing separately. While married filing jointly is usually more beneficial, it's beneficial to figure the tax both ways to find out which works best. Remember, if a couple is married as of December 31, the law says they're married for the whole year for tax purposes.

Q: ***Due to a change in jobs, my wife and I must sell our home that we just purchased a year ago. For tax purposes, since it is our primary residence, do we qualify for any exclusion of gain?***

A: The basic rule is if you own and occupy the home for two of the past five years, you don't have to pay any income tax on up to $250,000 of the gain from the sale of your principal home if you're single, or up to $500,000 if you're married and file a joint return. However, you may still qualify for a partial exclusion if you have a good excuse for selling the property. The IRS accepts a wide range of circumstances which could include a change in your place of employment, health problems that require a move, a death in the family, marriage, divorce, or a change in family size.
However, no matter how good your excuse is for not complying with all the requirements, you'll get only a partial exclusion—not the whole $250,000/$500,000. The amount is ordinarily based on the percentage of the two years that you fulfilled the requirements. For example, if you own and occupy a home for one year (50% of two years) and have not excluded gain on another home in that time, you may exclude 50% of the regular maximum amount—up to $125,000 of gain for a single taxpayer and $250,000 for married couples. The percentage may be figured by using days or months.

Q: ***My parent's home was damaged in a major storm What is the first step to get disaster relief aid***

A: Visit FEMA.gov to view a current list of declared disasters. Anyone who suffers damage in a Presidentially declared disaster can register for assistance by calling the FEMA registration line, 1-800-621-3362 from 7am to 11pm Eastern Standard Time. She can also apply for disaster assistance at DisasterAssistance.gov or download the FEMA mobile app.

SECURE ACT 2.0

Brings Key Changes for Retirement Accounts

A Required Minimum Distribution (RMD) is the minimum amount of money you must withdraw from a tax-deferred retirement plan after you reach a certain age. In 2022, you had to begin taking RMDs at age 72, the Secure Act 2.0 increases the RMD age 73 in 2023. For people who turn 73 after 2030, and reach 74 before 2033, RMDs start the year you turn 74. And if you turn 74 after 2034, you must start RMDs at age 75.

If you forgot to take your RMD in 2022, you could face a penalty equal to 50% of the amount not taken. That decreased to 25% in 2023. The penalty is reduced to 10% for IRA owners if the account owner corrects the mistake in a timely manner. Roth IRAs don't have RMD requirements but for some reason, Roth 401(k) plans do. The Secure Act 2.0 corrects this by eliminating mandated RMDs for Roth 401(k)s in 2024.

Catch-up Contributions. In 2023, we can contribute $22,500 to qualified workplace retirement plans like a 401(k) or a 403(b). If you are 50 years old or more, you can contribute an extra $7,500. The Secure Act 2.0 brings a new category for those age 60 to 63. Starting in 2025, they can contribute up to $10,000 more. Starting in 2024, if you earn more than $145,000 in the prior calendar year, all catch-up contributions at age 50 or older will need to be made to a Roth account in after-tax dollars.

Automatic 401(k) and 403(b) enrollment beginning in 2025. Instead of asking employees to join a retirement plan, they will be automatically enrolled and have to choose to opt out. Existing plans are grandfathered in but new plans will have to automatically enroll participants with a default contribution rate of at least 3% of an employee's salary, which will increase by one percent annually until it reaches at least 10%. Small businesses with 10 or fewer employees, government plans, church plans and new businesses less than three years old are exempt.

Defined Contribution Plans Emergency Distributions and Emergency Funds (includes 401(k), 403(b) plans, employee stock ownership and profit sharing plans). Plan owners will be able to withdraw up to $1,000 without penalty as an emergency distribution, with the option to repay the distribution within three years. Employers can also set up and automatically enroll an employee in an emergency savings account linked to their retirement accounts (up to $2,500) with an automatic employee contribution of 3% or less.

529 to Roth IRA Conversions. If you don't use the funds in your 529 plan for college, you can now convert up to $35,000 saved in a 529 plan to a Roth IRA with no penalties. The 520 account must have been open for over 15 years and rollovers are still subject to Roth IRA annual contribution limits.

Employer Match for Student Loan Payments. Employers can consider student loan payments as elective retirement contributions for the purpose of making employees eligible for matching contributions. For example, let's say you are making $50,000 per year and you are eligible for an employer match of 10% if you contribute $500 to retirement each month. If you are making a student loan payment, you can count that amount towards fulfilling the minimum contribution amount.

Roth Employer Match is now an Option. Previous rules require restricted employer matching contributions to pre-tax accounts only. As of Dec. 29, 2022, participants have the option

Expanded Cap on Qualified charitable distributions (QCDs). Beginning in 2023, people who are age 70½ and older may elect as part of their QCD limit a one-time gift up to $50,000, adjusted annually for inflation, to a charitable remainder unitrust, a charitable remainder annuity trust, or a charitable gift annuity. This amount counts toward the annual RMD, if applicable.

Qualified longevity annuity contracts (QLACs) are deferred income annuities purchased with retirement funds typically held in an IRA or 401(k) that begin payments on or before age 85. The dollar limitation for premiums increased to $200,000 from $145,000 starting January 1, 2023. The law also eliminates a previous requirement that limited premiums to 25% of an individual's retirement account balance.

Economic Outlook

–By Russ Colbert

Recently we have seen some improvement in the economic data which in turn allows some optimism. Inflation has dropped in multiple areas in the past several months. Consumer prices (CPI) rose a modest 0.2% for the past month, while producer prices (PPI) increased only 0.1%. This was positive news for the stock and bond markets. Prior to that the Federal Reserve had publicly signaled favoring multiple hikes throughout the rest of the year to curb inflation. The rate increases have helped reduce the risk of a recession and higher inflation. Recently we have been seeing the oil prices starting to move higher again which is causing concern over inflationary pressure on oil related products and services. If the Federal Reserve can continue to keep the money supply trending downward, it should continue to help bring inflation down.

Many investors now believe that the Federal Reserve may be getting close to finishing the series of rate hikes they started back in March 2022. Many also believe that being nearly done with the rate hikes may also help avoid a recession. Hopefully, the Fed will continue to succeed and bring inflation down to its 2.0% target rate to aid in the economic recovery process. The expectation is that if we continue this progress, we are moving towards better days.

Unfortunately, there are also many investors who think we will have some sort of recession. If we have a mild, short-lived recession, we can weather that storm. At this point we are seeing a mixed bag of areas of improvement month by month, as well as some disappointment along the way. But the overall trend is mostly improving, so far. The CPI (inflation) has slowed down in the past year to 4.0% versus 8.6% in May 2022. It will continue to bounce around going forward as the price of food, energy, and other goods should slowly drop going forward. The Federal Reserve will probably have a few more interest rate hikes needed to bring the inflation rate back down to a suitable rate for the consumer.

The GDP report for the second quarter came in at 2.4%. It was 2.0% for the first quarter of this year once it was revised upward. That is two quarters in a row with growth. It is not great, but it shows that things are slowly improving. Corporate earnings have also shown improvement over the second quarter. In the future, the U.S. needs to work on policies that will raise long-term growth of the U.S. economy. We need policies that encourage better education and more capital formation, making it easier to raise the next generation.

The economy grew at a moderate rate in the second quarter. While sales outside the auto sector declined 3.3% at an average annual rate, sales of autos and light trucks increased at a 9.5% rate. Real services, which make up most of consumer spending, were up around 2.5%. We estimate real consumer spending on goods and services was up 1.25%.

Business investment was up around 7.5% with gains in intellectual property and commercial property. Home building looks like it declined at a 2.6% rate showing some pain from higher mortgage rates. Government purchases of goods and services showed an increase of 2.3% in the second quarter. As far as the trade deficit goes, it expanded, both exports and imports both declined but exports declined faster, showing net exports. Inventories seemed to grow faster in 2nd quarter than in 1st quarter, adding growth to the 2nd quarter GDP rate.

So far, we have had better news through the 2nd quarter. Hopefully, the Federal Reserve won't overdo the interest rate hikes and the economy will continue improving through the second half of the year.

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

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Senior Portfolio Manager
1-888-878-0001

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