Volume 42, No. 4

Success InSight®

Winter 2025

Key Financial News for 2025

Right now, you may be more focused on what you'll owe (or receive as a refund) when you file your 2024 tax return in April than on tax planning for the new year. However, as you work through your annual tax filing, you should familiarize yourself with amounts that may have changed for 2025 due to inflation adjustments.

1. The standard deduction for 2025 will increase to $30,000 for married filing jointly and $15,000 for single taxpayers.
2. If eligible, you can contribute up to $7,000 to a traditional or Roth IRA (but only up to 100% of your earned income, if less). If you're age 50 or older, you can make another $1,000 "catch-up" contribution. (These amounts are the same as for 2024.)
3. The amount you can contribute to a 401K plan through your job is up to $23,500 to a 401(k) or 403(b) plan (up from $23,000 in 2024). Those 50 or older can add a $7,500 catch-up contribution (unchanged from 2024). New in 2025, employees ages 60 through 63 can make enhanced catch-up contributions of up to $11,250 (including the $7,500 standard catch-up contribution
4. The Social Security tax wage base rises to $176,100 (from $168,600 for 2024). You don't owe Social Security tax on amounts earned above this threshold. (Medicare tax must be paid on all amounts earned.)
5. If you took Social Security benefits before your full retirement age, your annual earnings limit in 2025 is $23,400. If you reach full retirement age in 2025, the limit on your earnings for the months before full retirement age is $62,160.
6. For qualifying taxpayers who have three or more children, the 2025 maximum Earned Income Credit increases to $8,046
7. The annual gift tax exclusion is $19,000 (up from $18,000 in 2024),
8. Medicare Part D policies and drug coverage in Medicare Advantage plans will lower the out of pocket spending cap for prescriptions to $2000. The cap includes deductibles, copayments and coinsurance for covered drugs.
9. For taxable year 2025, the dollar limit for employee salary reductions for contributions to health flexible spending arrangements rises to $3,300. For those that allow for carry overs, the maximum carryover increases to $650.

• *continued on page 4*

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All times listed are Eastern Time.

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PGIM Ultra Short Bond ETF (PULS)

Most investors have the need or desire to allocate at least a portion of their portfolio in low or no risk investments such as CDs, savings accounts and money markets. Whether it's important to have ready access to funds in the short-term or used to help minimize risk and volatility, this asset class can play an important role in an investor's portfolio.

Following the financial crisis of 2008-2009, the Federal Reserve Board (the Fed) lowered rates dramatically and kept short term rates near zero from 2009 through the end of 2015. Then after a short bout of rising rates, the Covid pandemic led the Fed to drop rates to near zero once again. I mention all this to remind us that for many years this important asset class was not very rewarding to investors. CD and money market rates ranged from less than 1% to 2.5% for much of that time.

Then came inflation. In its multi-year effort to tame inflation, the Fed raised rates aggressively in a relatively short time frame bringing short term rates from near zero to well over 5%. This was a welcome reprieve, particularly for risk averse and retired investors who suffered many years of very low returns in these types of investments.

For those looking to maintain a high degree of safety yet earn a higher yield offered by CDs or money markets, ultra short bond funds such as the PGIM Ultra Short Bond ETF (PULS) may be a solid choice. As its name implies, PULS invest only in very short-term bonds, which are much less sensitive to changes in interest rates than their longer-term siblings.

This fund has over $9 billion in assets under management, with all of its holdings rated investment grade. The fund is managed by PGIM Fixed Income which has 130 portfolio managers, 151 credit research analysts, 74 quantitative and risk analysts and over $850 billion under management.

As of the close of 2024, just over half of the fund's holdings come from the following categories:

Corporate Bonds - Issued by companies rated investment grade, these debt instruments have varying levels of risk and return, influenced by the financial health of the issuing corporation.

Asset-Backed Securities - These investment grade securities are supported by a collection of loans, leases, or other financial assets, excluding those tied to real estate or mortgages.

This fund pays its dividend on a monthly basis and as of 12/27/2024 its distribution yield was 5.14%.

If you have questions about this fund, or how it may play a role in your portfolio, please feel free to call Ted Black, CFP® at 888-878-0001, extension 3.

Performance annualized and updated through 12/31/2024:
1-Year: +6.10%; 3-Year: +4.61%; 5-Year: +3.15%.
The gross annual expense ratio is 0.15%.

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

Key Financial News

• *continued from page 1*

10. The foreign earned income exclusion increases to $130,000
11. Estates of those who die during 2025 will have a basic exclusion of $13,900,000.
12. The adoption credit increases to $17,280
13. The IRS 2025 mileage rates for using a vehicle for business purposes increase to 70 cents per mile.

Q: Do I have to file a return in 2025?

A: Whether or not you have to file depends on your income and other factors. If you have gross income below $14,600 for single filers and $29,200 for married filing jointly, you may not be required to file a return. That number is $21,900 if you are head of household and $5 if you are married filing separately. If you were 65 or older in 2024, the threshold is $16, 550 for single and $30,750 for married filing jointly ($32,300 if both spouses are over 65). Self employed individuals must file an annual return and pay estimated tax quarterly if they had net earnings of $400 or more. If you are claimed as a dependent, other thresholds may apply. To be sure, complete the interactive tax assistant interview at www.irs.gov/help/ita do-i-need-to-file-a-tax-return

Even if you don't have to file, you should file a tax return if you can get money back. For example, you should file if one of the following applies.

- You had income tax withheld from your pay.
- You made estimated tax payments for the year or had any of your overpayment for last year applied to this year's estimated tax.
- You qualify for the earned income credit. See Pub. 596 for more information.
- You qualify for the additional child tax credit. See Schedule 8812 (Form 1040) for more information.
- You qualify for the refundable American opportunity credit. See Form 8863.
- You qualify for the premium tax credit. See Form 8962.

Q: Why did I receive a Form 1099-K?

A: In 2024, you may receive a Form 1099-K if you have any number of transactions that totaled $5,000 or more through payment apps such as Paypal, Venmo or other online marketplaces.

You only need to pay taxes on any profits you make. A freelancer, hobby seller, gig worker or other self-employed individual would report this income on their Schedule C (Form 1040).

If you used payment apps for sending gifts, reimbursements or selling personal items at a loss, you won't need to report those transactions on your return. For example, if you sold used exercise equipment for $1,000 that you paid $2,500 for in the past, you don't have any tax consequences. If you receive a 1099-K when you should not have, contact the issuer immediately and ask for a corrected Form 1099-K that shows a zero amount.

Q: Can I still use Form 1040EZ?

A: In 2018, the 1040EZ and 1040A were eliminated. For tax year 2024 you have four variations of the form 1040:

- Form 1040 is the standard form
- Form 1040-SR simplifies tax filing requirements for those who are 65 or older
- Form 1040-NR is the primary form used by nonresident aliens for filing a U.S. return
- Form 1040-X is used to amend an individual's annual tax return

Q: When does it make sense to file Married Filing Separately?

A: While filing joint tax returns generally results in the lowest tax bill for married couples, there are some circumstances when they may pay less taxes if they file separately. For example, if one spouse has large medical expenses. Medical expenses are deductible only to the extent that they exceed 7.5% of adjusted gross income (AGI). So, if one spouse would have significantly lower AGI filing separately, it may increase the deduction. There may also be reasons filing separately is better even when the tax cost is higher, such as if one spouse has an income sensitive repayment plan for student loans or an income cap to qualify for lower insurance premiums.

But be mindful of the downsides of filing separately. Certain tax credits, for instance, are generally unavailable to separate filers, specifically for child and dependent care and education. Also, the capital loss deduction for separate filers is limited to $1,500 (as opposed to $3,000 for married couples filing jointly). It may be difficult to determine which scenario works better for both involved. While one spouse may see a big benefit, filing separately could cause the other spouse to pay significantly more which negates the difference. To get exact answers, just fill out your forms both ways and see which filing status results in the lowest overall tax.

Q: If I qualify, is it better to file Head of Household or Single?

A: Head of Household allows you to file at a lower tax rate and claim a higher standard deduction. To qualify as Head of Household, you must pay for more than half of the expenses for a qualifying household, be considered unmarried on the last day of the tax year and have a qualifying child or dependent.

Federal Student Aid

Q My son will be entering college in the fall. What's the first steps for finding federal loans and student aid?

A: Your first order of business is to go to www.StudentAid.gov and complete your Free Application for Federal Student Aid (FAFSA). This application can help you determine your eligibility for aid including federal grants, work study funds and loans. In addition, many states and colleges use your FAFSA information to determine your eligibility for state and school aid. Use the Federal Aid Estimator and Loan Simulator tools to get a better idea of what your aid package will look like. Submit your FAFSA application as early as possible as aid opportunities can run out of funds if you wait too late. The StudentAid.gov site is also the best resource for information on federal loans and grants. The site can help you determine what aid you are eligible for and offers counseling for different types of loans.

Q What is the difference between Direct Subsidized Loans and Direct Unsubsidized Loans?

A: Both are federal student loans offered by the U.S. Department of Education (ED) to help eligible students cover the cost of higher education at a four-year college or university, community college, or trade, career, or technical school.

In short, Direct Subsidized Loans have slightly better terms and are available to help out undergraduate students who demonstrate financial need. Your school determines the amount you can borrow, and the amount may not exceed your financial need. The U.S. Department of Education pays the interest on a Direct Subsidized Loan while you're in school at least half-time, for the first six months after you leave school (referred to as a grace period*), and during a period of deferment (a postponement of loan payments).

By contrast, Direct Unsubsidized Loans are available to both undergraduate and graduate students and there is no requirement to prove financial need. Your school determines the amount you can borrow based on your cost of attendance and other financial aid you receive, and you don't get any help with the interest payments. You are responsible for paying the interest on a on your loans during all periods.

During periods of time when you are not required to make payments—such as while you are in school, in a deferment, or in a forbearance—your interest will accrue (accumulate) and it will in certain instances be capitalized (which means that your interest will be added to the principal amount of your loan). Whether your unpaid interest capitalizes or not, you are still responsible for paying the interest that accrues. You can always choose to pay the interest that accrues even when you are not required to make a payment.

Your school determines the loan type(s), if any, and the actual loan amount you are eligible to receive each academic year. However, there are limits on the amount in subsidized and unsubsidized loans that you may be eligible to receive each academic year (annual loan limits) and the total amounts that you may borrow for undergraduate and graduate study (aggregate loan limits). The actual loan amount you are eligible to receive each academic year may be less than the annual loan limit.

These limits vary depending on what year you are in school and whether you are a dependent or independent student. For example, if you are a dependent student whose parents are not eligible for a Direct PLUS Loan, you may be able to receive additional Direct Unsubsidized Loan funds.

Q How is a grant different from a loan?

A: Federal Grants do not have to be repaid (except under certain circumstances) Currently the Federal Pell Grant is typically awarded only to undergraduate students who display exceptional financial need and have not earned a bachelor's, graduate, or professional degree. Additionally, you may be eligible to receive a Federal Pell Grant if you are confined or incarcerated and enrolled in an approved Prison Education Program, or are subject to an involuntary civil commitment upon completion of a period of incarceration for a forcible or nonforcible sexual offense. You can only receive Federal Pell Grant funds one school at a time.

The Teacher Education Assistance for College and Higher Education (TEACH) Grant Program provides grant funds to students enrolled in an eligible program of study at a participating school. TEACH Grant recipients must teach full time for at least four years in a high-need field at a low-income school or educational service agency.

Source: www.studentaid.gov

Business Q and A

Q What are the 1099 filing requirements for my business for the 2024 tax year?

A: Businesses are required to complete a Form 1099-NEC by January 31, 2025 to report payments of $600 or more made in 2024 to each nonemployee (independent contractor) who performed services for them. You are also required to file a Form 1099 MISC by March 1 (paper) or March 31, 2025 if filing electronically to report payments of at least $10 in royalties or at least $600 for items such as rent and medical or health care payments made to nonemployees and certain vendors in 2024. Generally, you need to send these only to sole proprietors and LLCs that file as sole proprietors. In most cases this eliminates sending to, government agencies, C Corporations, S Corporations, and LLCs formed as corporations or S corps.

Q I am looking at different benefit plans for employees in my small business. Can you give me information about the employee stock ownership plan (ESOP)?

A: Under an ESOP, employee participants gain partial ownership of the business through a retirement savings arrangement. Meanwhile, the company and its existing owner(s) can benefit from some tax breaks, an extra-motivated workforce and, potentially, a smoother path for succession planning.

To implement an ESOP, your business establishes a trust fund and either the company contributes shares of stock or money to buy the stock (an "unleveraged" ESOP) to the ESOP, or the ESOP borrows funds to buy the stock initially, and then the company contributes cash to the ESOP to enable it to repay the loan (a "leveraged" ESOP).

The shares in the trust are allocated to individual employees' accounts, often tied to their compensation. The business must formally adopt the plan and submit documents and specific forms to the IRS.

Being a part owner adds the incentive for your employees to work as hard as you do but also, one of the significant benefits of an ESOP is that employer contributions to qualified retirement plans such as ESOPs are typically tax-deductible. However, employer contributions to all defined contribution plans, including ESOPs, are generally capped at 25% of covered payroll. One exception applies: C corporations with leveraged ESOPs can deduct all contributions used to pay interest on the ESOP loan. That means, the interest isn't counted toward the 25% limit.

Dividends paid on ESOP stock passed through to

employees or used to repay an ESOP loan may be tax-deductible for C corporations, provided the dividends are reasonable. Additionally, dividends voluntarily reinvested by employees in company stock in the ESOP are usually also deductible for the business. (Employees, however, should consider the tax implications for their situations.)

Another potential benefit arises for shareholders in some closely held C corporations: They can sell stock to the ESOP and defer federal income taxes on any gains from the sale. Several stipulations apply, including that the ESOP must own at least 30% of the company's stock immediately after the sale. Also, the sellers must reinvest the proceeds (or an equivalent amount) in qualified replacement property securities of domestic corporations within a set period.

Finally, when a business owner is ready to retire or leave the company for another reason, the business can make tax-deductible contributions to the ESOP to buy out the departing owner's shares. Alternatively, the ESOP can borrow money to buy the shares.

The tax implications of an ESOP differ for entity types other than C corporations, and these should be carefully evaluated before implementing an ESOP for another entity type. While an ESOP offers many potential benefits, it also presents risks, such as the complexity of setup and, in some situations, a strain on cash flow.

ESOPs typically involve high initial costs plus ongoing costs that grow with the plan's size. Additionally, ESOPs can be burdensome to administer. Because they're considered a type of retirement plan, they're heavily regulated by federal and state governments. Compliance will require hiring various professionals, including a trustee. Implementing an ESOP can be complicated to set up, so if you think your company is a good candidate for an ESOP, it is strongly advised that you sort through the details with an experienced advisor.

Q Does my small business need a Business Continuity Plan?

A: You may think you have a pretty good plan in place, but it's quick and easy to write it down and good for morale and peace of mind to know you and your employees will be ready to act should the worst happen. Disasters such as storms, wildfires and earthquakes are unpredictable. However, companies can protect employees, safeguard data and recover costs through a business continuity plan. This plan reduces losses and speeds up recovery.

The depth of your business continuity plan should align with your company's size, its location, the nature of your industry and the specific risks you face. Small companies may not need a sophisticated media relations plan. However, even the smallest companies should have a plan for these three areas:

People. Assign a primary contact and backups to ensure employee safety at work and home. This person should maintain an updated list of employee contact information and be ready to coordinate evacuation if needed. Designate an offsite meeting location and a central contact number for check-ins.

Information technology. Create backups. Never store everything (including passwords) in one place only. To remain operational after a disaster, maintain a backup email, data and software offsite or in the cloud. Cloud services allow you to restore data securely from anywhere, keeping communication open with employees, customers and vendors during recovery.

Insurance. Regularly review your insurance coverage to confirm it's sufficient to replace assets, restore operations or relocate if necessary. Consider potential losses, such as lost sales. Check details carefully. Standard policies may not cover certain damages, such as flooding after a hurricane. Store a digital photo on your phone (that's backed up and stored) of your policy numbers and claim contact information the physical copy is lost or you can't get to it.

Once you have a plan in place, you will need to revise and test it periodically. Hold regular fire and other evacuation drills and ask employees to update personal contact information. At least once a year, ensure that your IT backup systems function correctly and that your insurance coverage keeps pace with your business's value.

Q Can a home I rent qualify for the home office deduction?

A: The home office deduction is calculated on Form 8829 and is available to both homeowners and tenants. According to the IRS, the term "home" for purposes of this deduction includes a house, apartment, condominium, mobile home, boat or similar property. This also includes structures on the property. These are places like an unattached garage, studio, barn or greenhouse. This doesn't include any part of the taxpayer's property used exclusively as a hotel, motel, inn or similar business.

Generally, there are two basic requirements for the taxpayer's home to qualify as a deduction:

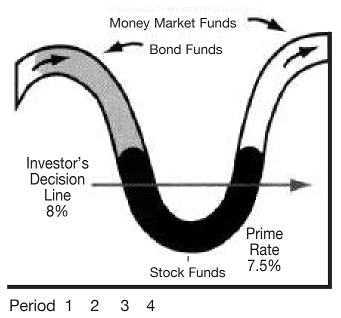
- There generally must be exclusive use of a portion of the home for conducting business on a regular basis. For example, a taxpayer who uses an extra room to run their business can take a home office deduction only for that extra room so long as it is used both regularly and exclusively in the business.
- The home must generally be the taxpayer's principal place of business. A taxpayer can also meet this requirement if administrative or management activities are conducted at the home and there is no other location to perform these duties. Therefore, someone who conducts business outside of their home but also uses their home to conduct business may still qualify for a home office deduction.

Taxpayers who qualify may choose one of two methods to calculate their home office expense deduction. The simplified option has a rate of $5 a square foot for business use of the home. The maximum size for this option is 300 square feet. The maximum deduction under this method is $1,500.

When using the regular method, deductions for a home office are based on the percentage of the home devoted to business use. Taxpayers who use a whole room or part of a room for conducting their business need to figure out the percentage of the home used for business activities to deduct indirect expenses. Direct expenses are deducted in full.

The Money Movement Strategy

Prime Rate Chart for Money Movement Strategy



How It Works

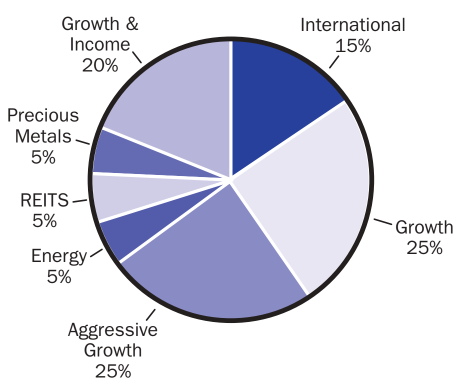
Long-term increases or decreases in the value of stocks, bonds and money market instruments are caused by changes in interest rates, primarily the Prime Rate. Of the three categories of mutual funds — stock, bond, or money market, there is only one type of investment that will give you above-average 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 and Mutual Hotline or Investment Holine for the best evaluation of how the Money Movement Strategy will work for your specific circumstances.

Models For Portfolio Management

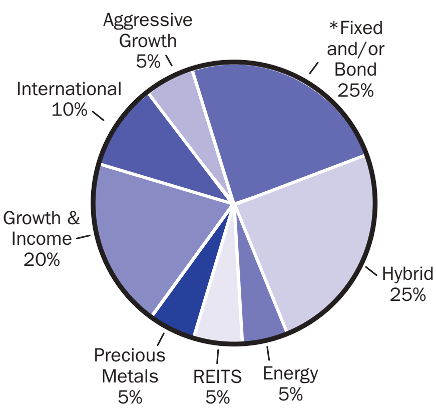
Aggressive

Keep all mutual funds and retirement money in stock funds.



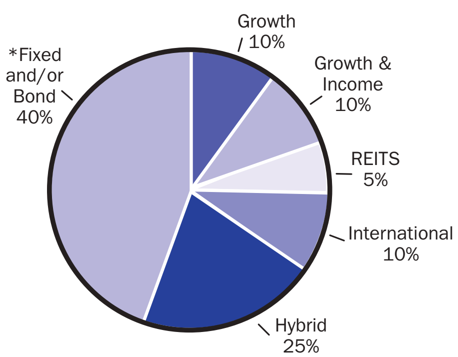
Moderate

Keep most mutual funds and retirement money in stock funds.



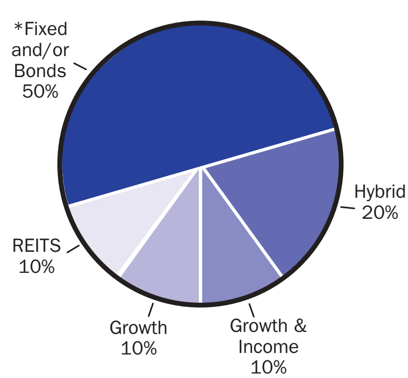
Conservative

Keep most mutual funds and retirement money in stock funds.



Retirees

Note: This portfolio <u>does</u> <u>not</u> 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 12/31/24 1 Year % Change	5 Year % Change	10 Year/ % Change	Expense Ratio
Aggressive Growth							
BNY Mellon Small Cap Index	DISSX	Buy	-0.68	8.26	7.88	8.45	0.50
Kinetics Paradigm No Load	WWNPX	Buy	22.96	88.47	23.63	17.57	1.64
Needham Growth	NEEGX	Buy	-6.95	14.51	11.74	9.72	1.75
Schwab Health Care	SWHFX	Buy	-11.79	0.10	5.97	7.38	0.79
Value Line Small Cap Opp	VLEOX	Buy	-3.01	14.24	10.46	10.40	1.18
Growth							
American Century Mid Cap	ACMVX	Buy	-2.74	8.55	7.27	7.95	0.98
BNY Mellon MidCap Index	PESPX	Buy	0.22	13.42	9.80	9.16	0.50
Harbor Disruptive Innovation Inv	HIMGX	Buy	3.52	14.04	5.62	9.03	1.19
Janus MidCap Value T	JMCVX	Buy	-2.63	13.11	7.03	7.50	0.89
Neuberger Berman Partners Inv	NPRTX	Buy	-4.26	10.94	9.57	9.47	0.76
Selected American Shares	SLASX	Buy	-1.17	17.73	10.29	10.08	0.99
American Century Small Cap Value	ASVIX	Hold	0.07	7.20	9.62	9.01	1.09
Growth & Income							
American Century Equity	TWEIX	Buy	-3.09	10.53	5.60	7.82	0.93
American Century Large Value	ALVIX	Buy	-3.37	11.03	7.69	7.68	0.84
Fairholme	FAIRX	Hold	-17.05	-17.44	8.62	4.84	1.00
Parnassus Equity Income Inv	PRBLX	Buy	0.28	18.52	13.25	12.02	0.82
Janus Contrarian T	JSVAX	Buy	-0.69	18.28	11.68	8.94	0.87
T. Rowe Price Equity Income	PRFDX	Buy	-3.02	11.88	8.60	8.42	0.68
Hybrid							
American Century Balanced	TWBIX	Buy	-0.91	11.93	7.03	6.72	0.91
James Balanced Golden Rainbow	GLRBX	Buy	-1.28	12.27	4.56	3.24	1.23
Oakmark Equity & Income	OAKBX	Buy	-0.20	8.72	7.98	6.88	0.86
Impax Sustainable Allocation Inv	PAXWX	Buy	-3.06	7.50	6.39	6.52	0.92
Permanent Portfolio	PRPFX	Buy	0.89	19.38	10.73	7.68	0.82
Value Line Asset Allocation Inv	VLAAX	Buy	-2.56	9.57	7.65	8.56	1.06
International							
American Century Intl Growth	TWIEX	Buy	-8.17	2.31	3.25	4.68	1.22
Artisan International Inv	ARTIX	Buy	-3.44	10.64	3.58	4.56	1.19
Matthews China Investor	MCHFX	Hold	-7.15	17.86	-2.01	3.99	1.15
William Blair Intl. Growth	WBIGX	Buy	-6.49	2.11	3.75	4.85	1.24
T. Rowe Price Emerging	PRMSX	Buy	-7.06	-1.72	-4.13	1.96	1.22
Sector Funds							
American Century Real Estate Inv	REACX	Buy	-6.31	7.63	3.10	5.15	1.15
Cohen & Steers Realy Shares	CSRSX	Buy	-8.31	6.50	4.51	6.55	0.88
T. Rowe Price Health Sciences	PRHSX	Buy	-10.93	1.82	6.32	8.69	0.80
Victory Precious Metals/Minerals	USAGX	Sell	-13.03	10.76	3.34	5.71	1.18
US Global Investors Global Res	PSPFX	Hold	-8.13	-3.73	3.98	-0.33	1.47
Bond Funds							
American Century Infl-Adj Bond	ACITX	Buy	-3.02	1.68	1.52	1.82	0.54
Fidelity Capital & Income	FAGIX	Buy	1.16	10.68	6.62	6.58	0.97
Janus Flexible Bond	JAFIX	Buy	-3.09	1.86	0.30	1.55	0.65
Loomis Sayles Bond Retail	LSBRX	Buy	-1.21	6.38	0.98	2.03	0.90
Impax High Yield Bond Indv Inv	PAXHX	Buy	0.04	6.07	2.64	3.70	0.93
American Century Sh-Dur Bd fund	APOIX	Buy	-0.47	4.15	3.02	2.33	0.70
Western Asset Core Bond	WATFX	Buy	-3.13	1.09	-0.97	1.49	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 *Are zero percent cards a gimmick or will that really help me?*

A: There are cards that offer 0% interest for balance transfers for a set amount of time which is typically 15 to 18 months. The strategy is to pay off high interest credit card debt by transferring those balances to the new 0% card. Since those high interest cards now have zero balances, you can focus all your payments on the new card until the debt is settled. It sounds simple but you usually need a credit score of 670 or above to be eligible for most of these deals. There is also an upfront “transfer fee” of around 3 to 5 percent of the amount transferred and once the intro period is over, the interest rate converts to a higher rate – usually between 18% to 28%. There is usually no room for forgiveness with a 0% card – if you miss a payment you could be immediately converted to a high interest rate. In summary, if you qualify for a 0% interest card and are disciplined enough to not run up new debt, the interest free break can help your payments go further towards paying down your debts.

The Wells Fargo Reflect Card has a 0% intro APR for 21 months from account opening on purchases and qualifying balance transfers with a 17.24%, 23.74% or 28.99% variable APR thereafter depending on your credit score. The amount transferred incurs a 5% balance transfer fee but there is no annual fee for the card. (Minimum credit score is 670) Apply at www.WellsFargo.com

The Citi Double Cash Card from Citibank will accept a credit score as low as 600 and offers 0% for 18 months on Balance Transfers (18.24% - 28.24% (Variable) APR thereafter) plus it allows you to earn cash back twice with no annual fee. The transfer rate is 3% if you move balances within the first four months of opening your account. Apply at www.citi.com

Q *How much does it help to increase the monthly payment on my credit card bill?*

A: It does make a big difference. For example, let’s say you have a credit card with a balance of $2,000 and an annual percentage rate of 20%. If you pay the minimum payment of $40 per month it will take you over nine years to pay off that debt and cost you an additional $2,335 in interest. But if you increase the monthly payment to $120, you will pay off that card in one year and nine months. With interest payment of only $362.

Q *Is there a new law that will remove medical debts and collections from my credit report?*

A: Yes. The Consumer Financial Protection Bureau (CFPB) reports on January 7, 2025, they finalized a rule that will remove an estimated $49 billion in medical bills from the credit reports of about 15 million Americans. The CFPB’s action will ban the inclusion of medical bills on credit reports used by lenders and prohibit lenders from using medical information in their lending decisions. The rule will increase privacy protections and prevent debt collectors from using the credit reporting system to coerce people to pay bills they don’t owe.

The CFPB’s research reveals that a medical bill on a person’s credit report is a poor predictor of whether they will repay a loan, and contributes to thousands of denied applications on mortgages that consumers would be able to repay. The CFPB expects the rule will lead to the approval of approximately 22,000 additional, affordable mortgages every year and that Americans with medical debt on their credit reports could see their credit scores rise by an average of 20 points.

The CFPB’s final rule brings regulations in line with Congress’s decision to safeguard consumers’ privacy by restricting lenders from obtaining or using medical information, including information about medical debts. Federal financial regulators later created an exception to this restriction, allowing creditors to consider medical debts. This carveout has enabled debt collectors to use the credit reporting system to coerce payments from patients for inaccurate or false medical bills.

Q *Will transferring my assets to a Revocable Living Trust protect me from lawsuits and creditors?*

A: While a Revocable Living Trust is a great estate planning tool, in general, most revocable trusts allow you to retain legal ownership of the assets which means creditors could go after them. On the other hand, with an Irrevocable trust , your assets are transferred to the trust and you give up control over them. This makes it difficult for creditors to access them.

Real Estate Outlook

Overall, the National Association of Realtors (NAR) offers a cautiously optimistic outlook for the next two years. NAR is predicting a 9% increase in home sales predicted for 2025 and a 13% increase in home sales expected for 2026. This is contributed in most part to mortgage rates stabilizing and is expected to be greatly influenced by the effectiveness of job growth.

Mortgage rates are expected to stay around the 6% mark throughout 2025. The average 30-year fixed mortgage rate from Freddie Mac rose to 6.93% in January, 2025. At 6.93%, with 20% down, a monthly mortgage payment is $2,114 on a home with a price of $400,000. With 10% down, the typical payment would be $2,378. Despite the current affordability headwinds, there has been an increase in both pending and existing-home sales activity. Homeowners are making trades with housing equity gains, offsetting higher mortgage rates. However, with rates hitting a 6-month high, first-time buyers who are more rate-sensitive will feel the pinch.

NAR also anticipates that home prices will increase gradually in the coming years. Specifically, a 2% increase in median home prices in both 2025 and 2026. This moderate growth in home prices can be attributed to a combination of stabilizing demand from buyers, a gradual increase in housing supply, and persistent appreciation in home values over the long term.

NAR chief analyst, Lawrence Yun expects 2025 median home price to hit $410,700 which is an increase of 2% over 2024 and to modestly grow to $420,000 in 2026.

Yun emphasizes, as the market stabilizes, these slight increases in home prices reflect a steady recovery rather than a sudden spike, which is crucial to maintaining affordability in housing. Of course, keep in mind that price increases may vary regionally, depending on local economic conditions and the availability of homes.

We also may be moving closer to the end of the housing inventory shortage. As builders increase their output to meet demand, we can anticipate a gradual relief in supply constraints, which may lead to more competitive pricing in the housing market.

Buying instead of renting remains a compelling argument for long-term financial stability. As homeowners gain wealth through equity accumulation, renters lag behind overall. With more affordable options, this may be the time for first time buyers to jump in the market. Making the top rated affordable housing lists are up and coming hot spots: Madison, Wisconsin; Fargo North Dakota; Lincoln, Nebraska; Provo, Utah and New Haven, Connecticut.

CoStar Group, which specializes in real estate analytics and data information, forecasts that as the new apartment supply is absorbed, new data shows there will be an increase in rents in 2025 and 2026, ending the lower prices "many renters have had over the last couple of years as a result of the post-COVID multifamily supply glut." They look at key indicators, such as the national vacancy rate and construction starts, that indicate a coming period of undersupply.

Jay Lybik, CoStar's national director of multifamily analytics, pointed out that expected multifamily property completions for 2024 totaling 533,000 units were a 10% decrease from the 40-year high of 588,000 units in 2023. These numbers are expected to decrease even further in the next two years, with 2026 completion totals predicted at just 250,000 units. There is also a sharp decline in construction starts, from a high of 210,000 units starting construction in the first quarter of 2022 to 63,000 units two years later. If demand remains at current levels into 2026, the market could transition quickly from oversupplied to undersupplied, causing vacancy rates to drop swiftly and rent growth to accelerate above historical averages.

Is it a buyer's or seller's market right now?

This is probably the most asked question for buyers and the answer depends on the location and it's unique market circumstances. A buyer's market occurs when there is more inventory than demand, giving buyers more leverage, while a seller's market is when homes sell quickly due to high demand. Market conditions can vary according to region and even down to the exact neighborhood or street. Buyers will need to do their due diligence including consulting with a local expert.

Economic Outlook

–By Russ Colbert

The United States, the world's largest economy is expected to perform well this year according to many leading economists. Recession fears have all but gone away by many economists. Inflation is trending back toward 2% and the labor market continues to look strong. Many are predicting that GDP will exceed 2.5% this year. Obviously it is early in the year and we will hope for the best. Some of the key changes following the Republican election sweep of all three branches and how it will affect the economy are as follows: First, Tariff increases on imports from China and on autos may raise the tariff rate by 3 or 4 percentage points. Second, a tighter immigration policy may lower legal immigration as the Republicans try to get control on deportations of illegal immigrants causing a surge on inflation. Immigration has surged since early 2021 and inflation has continued to rise out of control over the same period. If we have high immigration and high inflation, many economists believe the Fed could see lower inflation with lower immigration over time as it shrinks through deportation and other measures, as well. Third, the 2017 tax cuts are expected to be fully extended instead of expiring. There will also be additional modest tax cuts.

President Trump and his economic advisors will make some policy changes that will impact the economy and hopefully stabilize and bring down prices on many goods and services. In the near term I have noticed and heard from others about some of the shopping items I often purchased over the years starting to drop some of their prices, closer to what I was paying a few years ago. This may be occurring due to many consumers like me and others purchasing a cheaper substitute or waiting on a sale price, causing products to sit on shelves longer and companies starting to lower the price of the item to become more competitive due to selling less to customers. So, the company will research and find ways to cut the cost of producing the product. I know we have a long way to go, but hopefully it is the start of prices stabilizing and coming down for many items. On larger ticket items like homes and cars, etc., President Trump and his team are continuing to work on ways to roll back a number of the red tape and excess regulations in order to cut cost of the production of product and materials needed to make these larger items lower in price. There are lots of things that can be done to bring the prices down on products, goods, and services,

Many regulatory and policy changes coming over the next several years should improve the labor markets and add substantial job growth. The tax cuts should likely boost spending. Policy and regulatory changes coming to industry by the Trump's economic advisors should reduce the cost of goods and services making many items more affordable over the next few years.

Recission fears have faded as the risk that has worried the markets and investors have slowly subsided to a much lower risk. Consumer spending should remain strong by rising incomes driven by a solid labor market. The Federal Reserve should continue to cut interest rates during 2025.

I know President Trump has several problems that have developed over the past four years that have to be addressed and cleaned up. It will not be an easy task and let's hope he has the right people in place to help him get the jobs done. You can be assured it will be a bumpy ride along the way. I believe he will bring peace to the war-torn areas of the Middle East and Ukraine and other hot spots. I also feel he and his team will make the necessary adjustments to the economy that will continue to improve the economic performance of the U.S. economy.

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

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- ___ 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 2025

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