LET'S TALK MONEY®
May/June 2021

Charitable Giving: A Win-Win

Is giving to charity on your to-do list? Making a charitable donation to a nonprofit organization allows you to support a cause that's important to you and take a tax deduction.

Research the Choices

You can find information about nonprofits on Charity Navigator (charitynavigator.org) and BBB Wise Giving Alliance (give.org). These organizations help donors make informed giving decisions by evaluating charities based on their finances, governance and effectiveness.

Knowing how much of your donation will go toward the charity's mission, rather than toward its administrative costs, for example, may help you decide which organization will use your funds most effectively.

There are many ways, other than donating cash, to benefit a charity. Consult your financial and tax professionals for guidance.

Gift Appreciated Stock

Consider gifting shares of stock that have appreciated in value to your favorite charity. By giving appreciated stock directly to a charitable organization, you'll avoid paying capital gains tax on a sale and receive a charitable deduction for your donation. Because of its nonprofit status, the charity won't pay taxes on your gift.

Set Up a Donor-advised Fund

A donor-advised fund is a tax-advantaged investment account used for charitable giving. You set up the fund by making an irrevocable donation of cash, securities, or other assets to a sponsoring organization. You're entitled to an immediate tax deduction, but you can wait to choose the charities you want to support. Your funds stay invested until you make a grant. You can designate any IRS-qualified charity, but the sponsoring organization has the final say in where your funds go.

Take a Qualified Charitable Distribution

If you were age 70½ or older as of December 2019, you can donate up to $100,000 annually tax free from an individual retirement account to a charity. The funds must be transferred directly from your IRA to the charity to avoid paying taxes on the distribution. Donated funds can count toward your required minimum distribution for the year.

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The Banking Dilemma

Is a traditional bank or an online bank the best choice for you? It may depend on the features that are most important to you.

Traditional Banks

Brick-and-mortar banks have been a banking mainstay for many years. They offer in-person banking and personalized customer service and the convenience of having multiple branches and ATM locations within a short distance of your home.

Traditional banks typically offer a variety of checking and other accounts, and many have budgeting tools that can help you track spending. Most have mobile and online banking options for monitoring your account, transferring funds, paying bills, and depositing checks with your phone or other device.

However, traditional banks do have a few drawbacks. Because of higher operating costs, they generally offer lower interest rates than online banks. Accounts may also have maintenance costs, high overdraft charges, and out-of-network ATM fees that you'll want to consider.

Online Banks

With an online bank, you set up and manage your accounts on your computer or mobile device. Their low operating costs generally mean few or no fees. Online banks typically offer higher interest rates since they have no branches to maintain. And, your account is accessible around the clock, so you can transfer funds, pay bills, or deposit checks at any time of the day or night.

The drawbacks of an online bank: Customer service is strictly over the phone, so if you have an issue with your account, you may have to speak with several people before it's resolved. Online banks may also offer fewer account options than traditional banks. And keep in mind that cash may be hard to deposit since there are no branches.

A Presidential Proclamation designates May as the month for honoring older people in our communities. It can also serve as a reminder to ask older relatives about their health and finances. Consider talking with loved ones about:

Estate Planning

At a minimum, make sure your relative has a will and up-to-date beneficiary designations on retirement accounts and insurance policies.

Long-term Care Insurance

Most people will require some form of care as they age. Long-term-care insurance can help pay the high costs.

Will, Health-care Proxy and Durable Power of Attorney

These documents, respectively, specify end-of-life treatment and appoint someone to make medical and financial decisions when a person is incapacitated and can't make these decisions on his or her own.

Downsizing

Moving into a smaller home or apartment or one without stairs encourages older relatives to clear years of clutter and can make upkeep easier to manage.

On Their Own

Student loan debt, job loss during the pandemic, or even fear of being on their own are some of the reasons why many young adults decide to live with their parents. Here are some steps you can take to get your child started along the path to independence.

Decide on a Timetable

Ask your child what he or she thinks is a realistic time frame for moving out. By agreeing on a date in advance, your child may be more likely to adhere to it. Knowing there's a date when the arrangement will end might help all of you to make the best of the situation.

Give Budgeting Lessons

Now is the perfect time to discuss the steps involved in creating a budget. Ask your child to track spending for a few weeks. Your child's current expenses might include car insurance, student loan payments and cellphone plan costs. But, in the future, your child also will need to budget for items such as rent, utilities, and food. Banking websites often have good information about budgeting, so suggest that your child check them out.

Encourage Automatic Savings

Your child should have money from each paycheck automatically transferred to a savings account. Doing so can provide the cash needed to rent an apartment and start an emergency fund.

Offer to Match Funds

Provide an incentive to leave the nest by offering to match any money your child saves while living at home.

Balance Transfers and Your Credit Score

Eliminating credit card debt is always a good plan. But accumulating interest can make it difficult to pay off your balances, especially if you're making only minimum payments.

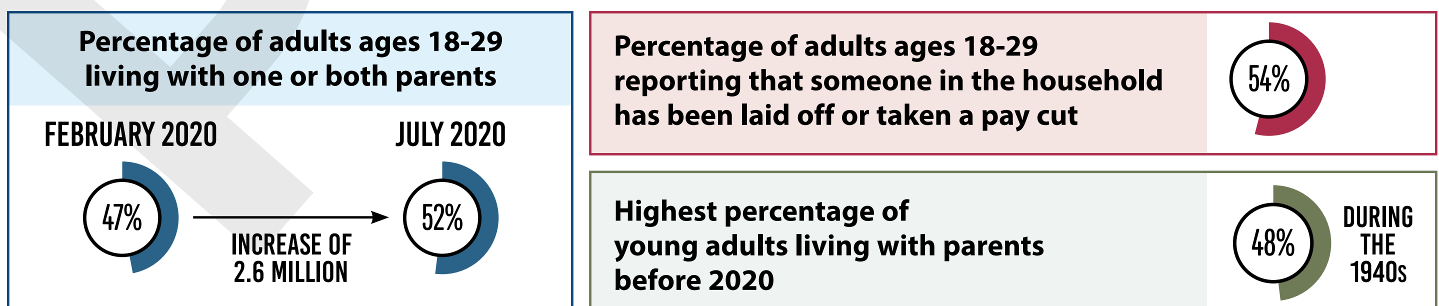
Consolidating credit card balances on a new card with a low promotional rate can save you money. And having a single monthly payment may be easier to manage.

What effect will a balance transfer have on your credit score? A lot depends on you. Here are some tips for consolidating credit card debt that will potentially boost your score.

- Calculate the monthly payment you'll need to make to pay off the balance before the introductory rate ends.
- Don't cancel your old cards. In addition to eliminating your credit history, closing accounts reduces your available credit. Both can have a negative impact on your credit score.
- Avoid charging purchases to your old cards unless you can pay off the balance each month. People often fail at debt consolidation because they run up new debt.

Young Adults Living at Home During the Pandemic

Since the pandemic began in the U.S., the percentage of young adults ages 18-29 living with relatives has become a majority. The numbers surpass the previous peak that occurred during the Great Depression.



Pew Research Center September 24, 2020

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Consistency Is Key for Retirement Investors

Slow and steady like the tortoise or fast and furious like the hare? Which investing approach do you think offers the best chance of saving enough for a comfortable retirement? For a long-term investor, being a tortoise has its advantages.

The Hare Investor

Remember the hare in the fable? He thought he could make it to the finish line with time to spare even though he started the race late. Hare investors tend to follow his lead. Instead of starting to invest when they begin working, they wait until they're established in their careers and earning higher wages before they set money aside for retirement. But, by not starting early, they could be sacrificing years of potential growth. To compensate, hare investors may have to contribute much more to their retirement accounts to make up for their late start.

The Tortoise Investor

Like the tortoise in the fable, tortoise investors don't wait. They start contributing to a retirement account as soon as they're receiving a paycheck — and keep contributing steadily throughout their working years. By starting early and reaping the benefits of compounding (earning interest on interest), tortoise investors may have to contribute less of their own money to achieve their savings goals.

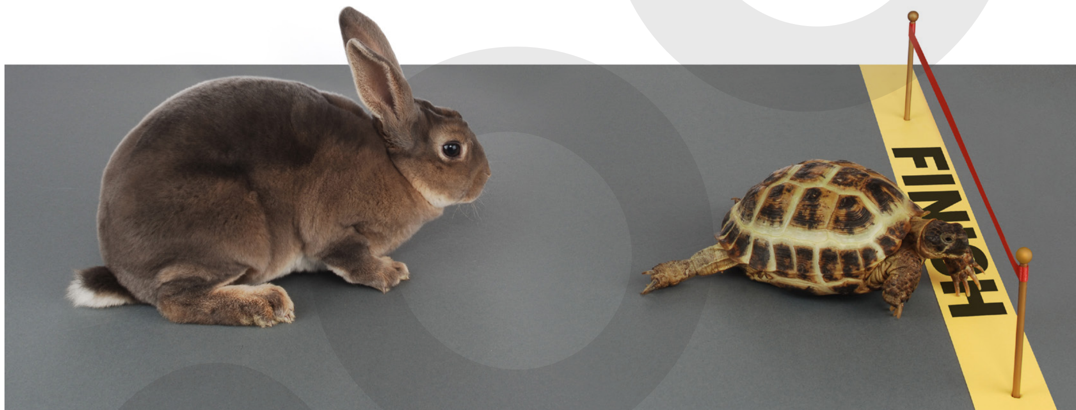
Want to Be a Tortoise?

Start by adding money to an investment account as soon as you begin working. Consider setting your savings on autopilot by earmarking money from each paycheck to go into your account. You may want to increase your contribution amount whenever you get a raise. But the important thing is to keep contributing.

Tips for Tortoises

What else can you do to be a smart investor? Choose an investment mix that reflects your risk tolerance and time frame. And, by adopting a buy-and-hold strategy, you may avoid fees, commissions, and taxes that can lower your returns.

Ask your financial professional for guidance in creating a diversified* portfolio that may help cushion market swings.



** Diversification cannot eliminate risk of investment losses. Past performance won't guarantee future results. An investment in stocks or mutual funds can result in a loss of principal.*

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ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

January 11, 2021

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1. LTM MayJune 2021 Standard
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The material submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Associate Principal Analyst

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