LET'S TALK MONEY®

July/August 2022

# Navigating 2022: A Challenging Environment

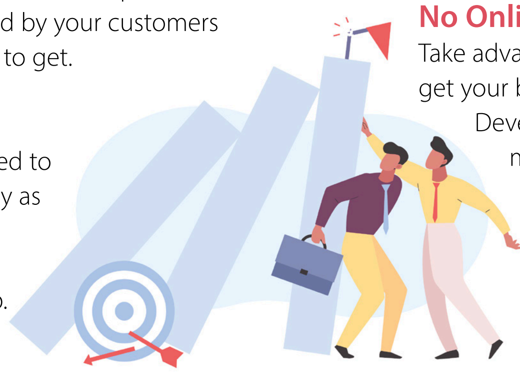
The past two years of uncertainty created many challenges for business owners. Hampered by a lack of workers and declining profits, many small businesses were forced to close, some permanently. As businesses strive to return to normal, owners are still facing hurdles that may be difficult to overcome.

## Supply Chain Shortages

Many businesses continue to suffer from delays in receiving products and materials. When it is possible to obtain needed goods, the cost to purchase them may be higher, forcing the business owner to raise prices to meet production targets. Even so, products that are in high demand by your customers may still be impossible to get.

## Staffing Issues

Workers haven't returned to the workforce as quickly as expected, leaving business owners scrambling to find help. Shortened business hours or fewer days when the business is open may be the result. Some business owners have learned that offering incentives, such as higher pay, flexible scheduling, and a good benefits package, helps them attract new employees. Employees who enjoy an equitable work-life balance are also more likely to remain with the company.



## A Decline in Foot Traffic

With fewer people in stores, businesses have had to get creative. Curbside pick-up, take-out and home delivery have become so popular that customers are reluctant to give up their convenience. Continuing to offer your customers these options, or implementing them if you didn't offer them before, may help your business remain competitive.

## No Online Presence

Take advantage of the internet to get your business noticed. Developing a website can make your business known to more potential customers. Offering online purchasing or coupons is another way to increase sales volume. Creating a user-friendly website may require professional help, but the potential increase in sales can be worth the expense.

## Inflation Woes

After several years of low inflation, rising costs for products, materials, labor, gas, etc. are putting a dent in profits. Reevaluate how you run your business and cut unnecessary expenses to help you compete with others in your space.



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I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

Small Business Version

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# Buying on Time

Paying for items over time is nothing new. That's essentially how credit cards work. But if you shop online, you may have noticed a new trend: an option to pay for the items in your cart in equal interest-free installments. Should you take advantage of the offer?


## A Lot Depends on You

Spreading out interest-free payments over a month or so for items you intended to buy anyway may be relatively harmless. However, not having to pay the full cost of your purchase all at once might tempt you to buy additional items on impulse. Before you realize it, the amount of your payments may be far more than you intended or can comfortably afford.

## What If You Miss a Payment?

Generally, installment payments are automatically deducted from your checking account every other week, and you're emailed a reminder in advance. But if you miss a payment because funds in your account are low or for some other reason, you'll be charged a late fee, and possibly interest, on your purchases. If you can't make the minimum payments, these fees can quickly spiral out of control.

## They're Counting on You

Retailers can select installment plan services from a variety of vendors. Companies offer the installment option hoping that the smaller installment payments will encourage shoppers to buy more—and more expensive—items than they would have purchased if they had to pay the entire cost at checkout.

## A Better Way

Instead of paying for items over time and putting your budget at risk, start saving for the things you want. Then pay cash up front.


# Raise Your Credit Score

Lenders use credit scores to determine how likely a borrower is to default on a loan. Credit scores typically range from 300 to 850. Borrowers with higher scores generally receive the most favorable rates and terms. Help ensure your access to credit by following a few simple rules.

- Make loan payments on time.
- Stay below your credit limit.
- Keep your older cards. The length of your credit history is one factor used in determining your score.
- Don't close accounts. That can result in having less credit available, which can hurt your score.
- Avoid opening several new accounts within a short period of time.
- Consider allowing credit bureaus to add utility and telecommunications payments to flesh out your credit report.
- Monitor your credit reports from the three major credit bureaus: Experian, TransUnion and Equifax.
- Check whether your financial institution or credit card company provides your credit score along with your account information.

# Mortgages: One Size Doesn't Fit All

The state of the economy has a lot to do with interest rates, including the rate you'll pay on a mortgage loan. But other factors go into the loan equation. Your credit score, the amount of your down payment, the kind of mortgage you're applying for and the term help determine your interest rate.


There are several types of mortgages. Your personal circumstances will dictate which option best fits your situation.

## Conventional Loans

Conventional loans offered by banks, credit unions and lending companies account for the largest percentage of mortgages. A borrower must have a good credit score and a sizable down payment—at least 20% of the purchase price, the threshold for not having to pay PMI (private mortgage insurance). PMI protects the lender in case of default and typically adds a substantial amount to monthly mortgage payments.

## 15 or 30?

Conventional loans come with 15- or 30-year terms. Monthly payments on a 30-year mortgage are lower, but you'll pay significantly more in interest over the life of the loan. Borrowers who are comfortable with a higher monthly payment should consider a mortgage with 15-year term, which typically offers a lower interest rate.

## Fixed versus Adjustable Rate

Lenders may offer both fixed-rate and adjustable-rate mortgages. With a fixed-rate mortgage, payments remain the same for the life of the loan. With an adjustable-rate mortgage (ARM), the interest rate rises, or falls based on market conditions. Although rates may start off low, borrowers' risk higher rates in the future. ARMs are more suited to buyers who don't plan to stay in a home long term.

## Government-backed Loans

**FHA loans** require a smaller down payment and may be appropriate for borrowers who don't qualify for conventional loans. Borrowers must pay a mortgage insurance premium (MIP), generally for the loan's term.

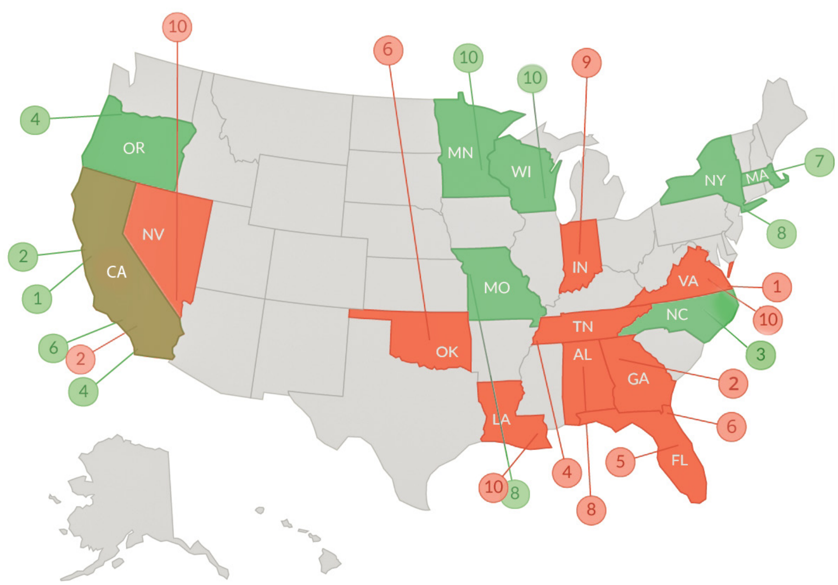
**VA Loans** are available to servicemembers, veterans, and eligible surviving spouses. This is a lifetime benefit that can be used multiple times. VA loans offer competitive rates and limited closing costs and do not require a down payment or private mortgage insurance.

# A Seller's Market

In 2021, competition for homes was very strong in some areas of the U.S. and not as strong in others. According to LendingTree, the most competitive area was San Jose, CA, while the least competitive was Virginia Beach, VA.

**Metros with the most competitive homebuyers**

- 01 - San Jose, CA
- 02 - San Francisco, CA
- 03 - Raleigh, NC
- 04 (Tie) - Portland, OR
- 04 (Tie) - San Diego, CA
- 06 - Los Angeles, CA
- 07 - Boston, MA
- 08 (Tie) - Kansas City, MO
- 08 (Tie) - New York, NY
- 10 (Tie) - Minneapolis, MN
- 10 (Tie) - Milwaukee, WI




Source: LendingTree

**Metros with the least competitive homebuyers**

- 01 - Virginia Beach, VA
- 02 (Tie) - Riverside, CA
- 02 (Tie) - Atlanta, GA
- 04 - Memphis, TN
- 05 - Orlando, FL
- 06 (Tie) - Oklahoma City, OK
- 06 (Tie) - Jacksonville, FL
- 08 - Birmingham, AL
- 09 - Indianapolis, IN
- 10 (Tie) - New Orleans, LA
- 10 (Tie) - Las Vegas, NV
- 10 (Tie) - Richmond, VA

# Hire Your Children

One of the monetary benefits of having children is that you get to claim them as dependents when you file your income taxes. But business owners may be able to take advantage of another benefit: a tax deduction for putting your child to work.

Hiring your children to work in your business provides them with an opportunity to earn money, while giving you a break on taxes. When you hire your children, you're able to deduct their wages, lowering your business's taxable income. However, your child's earnings are subject to income tax withholding regardless of age.

The IRS has strict rules for business owners who want to hire their children. If you fail to follow them, you'll forfeit the tax deduction for their salaries and benefits.

## Give Them a Real Job

The duties your child performs must be necessary and appropriate for your business. Tasks such as answering phones, filing, helping with your website or social media accounts, running errands, etc., can qualify. Just make sure the work is suitable for the age of your child, and keep accurate records of the hours your child works.

## Offer Reasonable Compensation

The compensation your child receives should be the amount you would pay an outsider for doing the same work. Find out how much people with similar jobs and experience earn in your area. An employment agency can be a good source of information. Paying your child by check or through direct deposit — never in cash — provides a record of your child's earnings to show the IRS.

## Reap the Tax Benefits

Your child can earn up to $12,950, the standard deduction for a single taxpayer in 2022, without owing income taxes. You get to deduct the earnings of each child your business employs, potentially reducing your taxable income by a substantial amount.

Your tax professional can help you with the details of hiring your children and keep you from running afoul of IRS tax rules.

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**ADVERTISING REGULATION DEPARTMENT REVIEW LETTER**

April 11, 2022

Reference: **FR2022-0330-0104/E**
Link Reference: FR2021-1221-0263

Org Id: 23568

1. LTM Jul/Aug 2022 - Business
   Rule: FIN 2210

The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Principal Analyst

hrm

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