Time

Amanda Lisachenko, COO

A common phrase we often hear when we meet with potential clients is that that they are 'not good with numbers or investments.' Meaning that they are looking to engage our services to help them be financially successful. While being capable with numbers and investments is obviously important, an often-overlooked component for success is time.

Time is a key component of everything we calculate. While longevity tables provide a best guess, many parts of our financial planning would become very simple if we knew how much time each of us has. Since we don't, we can only encourage people to take advantage of today by starting their planning as early as possible.

Time and Goals

A cornerstone of financial planning is to set goals. The key to reaching any goal is to start early. By starting early, you have the opportunity for more growth over a longer period. Time allows for the investor to make smaller contributions regularly that compound over time and the more periods you have typically the better. It is never to early to start saving.

Time and Lifestyle

Many times, people think they can't afford to put away money for retirement, education, or a vehicle purchase. But we would argue that you can't afford not to save. Setting up an automatic savings plan is a key part of reaching your goals. Savers are generally able to adapt their lifestyle by being more conscious of their spending habits and prioritizing. Another savings piece that everyone should have in place is an emergency fund to fall back on. Without one, an unexpected event in life can cause someone to quickly get behind on all of their goals.

Time is Precious

None of us know how much time we have on this earth. Everyone has dreams and visions for their happiness and things they want to accomplish in their lifetime. It's important to spend time thinking about those items and putting them down on paper so they can become a goal, something to work toward. With planning and time, a goal such as a big trip, a vacation house, paying for grandchildren's schooling or retiring early, becomes realistic and attainable. Whatever the goal we look forward helping you make them happen. Because time is precious, and no amount of money can buy you more of it. ■

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Qualified Charitable Distributions (QCD)
By Colleen M. Cleary, CPA/PFS, CFP®

Due to the current large standard deduction amount, many elderly individuals find themselves in the position of not receiving a tax benefit when making contributions to their favorite charities. If you are an IRA owner who is age 70 ½ or older, there may be a better way for you to donate to your favorite charities and receive a tax benefit.

Taxpayers ages 70 ½ and older are allowed to make charitable donations via tax-free IRA withdrawals directly sent to qualified charities. These contributions are called qualified charitable distributions (QCDs) and allow a taxpayer to exclude up to $100,000 of QCDs from their taxable income per year. If you and your spouse file a joint return and they are age 70 ½ or older, they also can exclude up to $100,000 from their taxable income for QCDs they make.

IRAs are a terrific way to transfer cash gifts to charities. The amount of your IRA distribution that qualifies as a QCD is excluded from your taxable income. This in turn reduces the adjusted gross income on your tax return, and therefore impacts the calculation of taxable Social Security income and Medicare Parts B and D premium surcharges. In addition, by taking the funds directly from your IRA you lessen the amount of required minimum distributions you will be required to take in the future.

For your charitable donation to be considered a qualified charitable distribution, please keep in mind the following rules:

- The maximum annual amount to qualify for exclusion from income is $100,000 per taxpayer if made from an IRA to a qualified charity after an individual attains age 70 ½.
- QCDs are only allowed for qualified charities, not for contributions to donor advised funds (DAFs) or private foundations. See IRS website for details.
- The amount of your QCD offsets your required minimum distribution for a year.
- QCDs cannot be claimed as itemized deductions on your return.
- QCD limits are reduced if you make contributions to an IRA during a year.
- If you do make a charitable contribution via a QCD, please keep in mind that the funds must clear by December 31 to qualify. Many charities take a great deal of time to process donations at the end of the year. To avoid disqualification of your QCD, please initiate the transaction well in advance of the end of the year.
- It is important for you to let your tax preparer know the amount of your eligible QCD each year so the IRA taxable income on your return can be reduced accordingly.

If you are interested in learning more about the possibility of making Qualified Charitable Distributions from your IRA account, please call our office for more information and assistance. ■

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Streaming Services
By Mark Lisachenko

Jim contacted me the other day and asked, "what streaming service should I get" and "should I cut the cord with cable?" Every major player in entertainment has a streaming service out today and it's mostly a personal preference as to which one(s) to get.

In my household we have Spectrum cable still but also subscribe to Netflix, Amazon, HBO Max, Hulu, Peacock and Disney+. I'm a frugal guy (just ask Amanda) so most of these don't cost us extra as they are included in other services or temporarily free as part of a trial/promo. For example, as of this writing if you have the Verizon Ultra 5G Play More or Get More plan you also get Disney+, Hulu, and ESPN+ included for free. Amazon Prime Video is another example, included for everyone with a Prime membership. Several services offer a reduced cost service with advertisements, something Netflix is now considering as well. Costs are always changing so look around for specials and take advantage of free trials to see whether a particular service is to your liking.

The great thing about streaming services is that they are easy to use via an app. You can install the app on your Smart TV (or Roku, Apple TV, Chromecast, Amazon Fire, etc.) or on your phone or tablet, laptop, or even your Amazon Echo Show. Most days I watch shows on my iPhone rather than Smart TV or cast from my iPhone with AirPlay to the TV. With 5G service and unlimited data you can now watch a show from anywhere at any time.

I like to keep up on what's available in the tech world by reading a lot of online sources. Consumer Reports has a great article on the best free streaming services at The Best Free Streaming Video Services - Consumer Reports. PCMag online also has a great article on streaming services available at The Best Video Streaming Services for 2022 | PCMag.

The article breaks down top picks for different categories. Here are some of the categories and picks mentioned:

- Best for Original Shows – Netflix
- Best for Mix of Live and On-Demand Content – hulu
- Best for Free TV and Movie Streaming – peacock
- Best for On-Demand Shows and Movies – Amazon Prime Video
- Best for HBO Shows and Popular Movies – HBO Max
- Best for Families – Disney+
- Best for Replacing Cable – YouTube TV
- Best for Streaming Free Movies – tubi
- Best for Sports Fanatics – FuboTV
- Best for HD & 4K Documentaries – CuriosityStream
- Best for Educational and Family Content – kanopy
- Best for Popular Documentary Enthusiasts - PBS Documentaries ■

Why does the Federal Reserve use interest rates?

Evan Watson, Investment Analyst

It has become a common topic of the Federal Reserve and their mission to fight inflation. Most of these stories will reference the Fed using interest rates to attack inflation but they do not really go into how or why they use interest rates. Since it may not be entirely obvious to everyone, I thought we should dive into the intricacies a bit.

Now why does interest exist in the first place? This may seem like a silly question to ask but it is important when we look at why the Federal Reserve uses this as a policy. The short answer is that a lender should be compensated for giving up their money. There are times where we give money for charity but most of the time, if we give up money, we are giving up the opportunity to do something else with that money. Imagine you had planned your dream vacation and it was going to cost $10,000. If someone close to you asked you to borrow that $10,000, you would need something in return that would compensate you for not being able to go on your dream vacation. This is interest. There can be other factors added to this, but the point is interest incentivizes people to lend money.

The Fed uses this principle to adjust how much banks are lending. When someone says that the Fed is looking at raising rates, what they are trying to do is limit lending. When banks have excess cash, they have the option to loan money to the Fed. This is accruing interest on the excess reserve without taking much risk. During tough economic times, like 2020, the Federal Reserve lowers these interest rates to discourage banks from keeping cash at reserves. This incentivizes banks to offer the cash to individuals and businesses who need it. When the economic environment gets its feet back under it, the Fed will raise the interest rate to incentivize banks to keep any excess cash at the fed. This pulls money out of the system and slows some of the demand.

This impacts more than banks. This tool trickles down to other areas of the economy as well. A notable example of this impact is mortgage rates. When the Federal Reserve adjusts the interest rates, banks must adjust rates on their loans as well. When the Fed lowers their rates, interest rates on mortgages will also come down. This will lead homeowners to either decide to move or refinance. Both are good for the economy since you will either have bought a home or reduced your costs of owning a home allowing you to spend elsewhere. This same process works for other things like cars as well. The opposite effect occurs when interest rates go up. This will help to reduce some excess spending which may be causing things like inflation.

To be fair, this is not a one-sided trade where the banks are the only ones who win. The Fed looks at higher rates as an opportunity for anyone who has excess cash to save it instead of spending it. Things like savings accounts and CD rates will start to be more attractive during these periods as well as some other investments. If we bring our dream vacation analogy back into this picture, we can see how the Fed uses interest rates to slow demand. Instead of spending that extra $10,000 on the dream vacation, you might be persuaded to hold on to your money for a bit and make a couple extra bucks you can use in the future.

Interest rates are just a way to adjust consumer behavior. This does not always happen as quickly as the Fed or economy would like but ultimately it helps to smooth the boom-bust cycles of our economy. Hopefully, you now have a better understanding of monetary policy and interest rates. ■

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Achieving a Better Life Experience (ABLE) Act of 2014

By Amanda Lisachenko, COO

In December of 2014 the ABLE Act was passed which allowed for the Amendment of the 529 section of the IRS tax code (the section that previously established the framework for education savings plans to help families save for college). This was the most significant piece of legislation passed for those with special needs since the Americans with Disabilities Act that passed some 25 years earlier.

The ABLE Act has allowed for the creation of a tax-free savings account for individuals with disabilities. These accounts are available to cover qualified disability-related expenses, such as housing, assistive technology, health care, education, and transportation, without impacting their benefits.

These public benefits (Supplemental Security Income (SSI), Supplemental Nutrition Assistance Program (SNAP), Medicaid) utilize means and resource tests to restrict eligibility. This states that these individuals cannot have more than $2,000 in liquid resources, such as savings, retirement funds, or non-ABLE checking. But the ABLE Act acknowledges the significant extra costs that come from raising or living with someone who has disabilities. It allows for there to be assets available to cover Qualified Disability Expenses.

To be eligible for an ABLE account an individual must have a disabling condition that began prior to age 26 and they are receiving benefits under SSI or Social Security Disability Income (SSDI). If someone meets the age requirement but are not receiving public benefits, they may still be eligible, just not automatically.

There are some state and federal rules/limitations to be aware of when considering this option. Some of them are as follows:

Federal

- An individual can have only one ABLE account.
- The annual contribution cap is $16,000 for 2022. (If an individual is working, they can contribute an additional amount up to their annual salary before taxes or $12,880, whichever is less, for a total annual contribution of $28,880).
- The total amount that can be held in an ABLE account without jeopardizing government benefits like SSI is $100,000.

State (Ohio provided other states may differ)

- Ohio limits total allowable savings to $468,000.
- There is an annual state tax deduction of up to $4,000 for every STABLE account contributed to. (STABLE is the Ohio ABLE program name)

ABLE accounts are not taxed if they are used correctly. But when the individual passes, any remaining funds will be used to reimburse Medicaid for services the person received from that program. There is a website for the ABLE National Resource Center (ABLENRC.org) which contains additional information. Please give us a call for any questions or to discuss further. ■

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