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Planning for Fall

James M. Reed, President

It seems hard to believe summer is nearly gone and soon, cooler temperatures and the colorful leaves will be upon us. As we cross into the fall season, it can be extremely helpful to plan for items that need to be completed by year-end.

Giving to Charity Now

The Pandemic has been hard on many people. Many charities have tried to help but are running short of funds. If you plan to make any charitable donations, doing it sooner rather than later is always recommended. This will help ensure the checks are cleared before year-end for record-keeping (and tax) purposes.

Remember for those of you required to take minimum distributions from your retirement accounts, you can have those monies sent directly to charities of your choice (which qualifies as a Qualified Charitable Donation (QCD)). That potentially could save you on taxes since direct contributions to charities do not count as income for tax purposes. A QCD is a direct transfer of funds from your IRA custodian, payable to a qualified charity.

In addition to the benefits of giving to charity, a QCD excludes the amount donated from taxable income, which is unlike regular withdrawals from an IRA. Keeping your taxable income lower may reduce the impact to certain tax credits and deductions, including Social Security and Medicare.

Also, QCDs don't require that you itemize, which due to the recent tax law changes, means you may decide to take advantage of the higher standard deduction, but still use a QCD for charitable giving.

Tax Planning

We are starting to get an early feel on dividend payouts from our fund managers. Currently, we expect dividends to be at least equal to last year.

For independent one-person businesses, consider establishing a K-Plan. This is a combined 401(k) and Profit-Sharing Plan for you and family members. Individual plan participants can contribute up to \$20,500 of their wages in 2022. For those ages 50 and older, the catch-up contribution is capped at \$6,500. That brings the annual total to \$27,000 for taxpayers 50 and over.

We hope you enjoyed your summer and are looking forward to a wonderful fall. ■

Choose Your Financial Team Wisely - The Value of a Good Accountant

By Colleen M. Cleary, CPA/PFS, CFP®

In the current inflationary environment, we all look for ways to save a few dollars. However, some bargains are not worth it in the long run. Tax planning and preparation are important pieces of your financial plan. Many at home/do it yourself tax programs help you meet your filing obligations, but are you the best person to prepare your return? Even with the guidance of these programs, it is easy to miss deductions and make errors, and keeping on top of new planning ideas and tax developments is not most people's idea of fun.



As a trusted member of your financial team, your accountant has an important role to fill, one that goes beyond the preparation of a basic tax return. In addition to working with you to correctly prepare your returns, accountants have many resources at their fingertips. Preparers such as CPAs are subject to annual continuing educational requirements requiring them to attend webinars, seminars and take courses that enable them to stay on top of new developments and planning ideas. Their memberships in professional organizations provide them with reference materials and practice aids as well as the opportunity to collaborate with other experts. The ethical standards of professional organizations provide a framework to protect the public. Members not adhering to the guidelines for professional and personal integrity are subject to disciplinary actions which are often noted on licensing and professional organization websites.

Not all accountants and tax preparers are created equally. Please keep the following in mind:

- Certified Public Accountants (CPAs) pass a rigorous exam to obtain their credentials. Some prepare taxes. They can represent you in front of the IRS.
- Attorneys are legal professionals. Some take on tax work and others farm it out to other professionals. They can also represent you in front of the IRS.
- Enrolled Agents (EAs) are licensed tax professionals who have passed an IRS training course. They can represent you before the IRS.
- Unenrolled preparers are not regulated and can include anyone who says they prepare returns. They are not subject to any professional or regulatory requirements.

Many of our clients ultimately find that the cost of working with a CPA is comparable to the cost of having a chain tax preparer like H&R Block prepare their return. This realization often comes after receiving a tax notice from the IRS or if a member of the RFS staff notices an error on a return. Correcting errors and omissions on tax returns can be time consuming, costly, and stressful.

Good accountants are proactive about helping you make decisions that are best for you, rather than just taking last year's tax information and entering it into their tax preparation software. They are insightful and take a creative approach to problem solving. They will get to know you and your personal situation and help provide you with unbiased financial advice and work together with your other financial advisors.

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Meet our newest addition, Kristen Ibanez!



Hello, RFS Family! My name is Kristen Ibanez, and I joined the Client Relations team at the beginning of December.

I have enjoyed meeting and speaking with some of you these last few months, and I look forward to getting to know more of you in the months ahead. To introduce myself a bit more, I was born

and raised in the Cleveland suburbs.

I graduated from Wittenberg University with a B.A. in Business Management. I began my career in retail banking and then expanded to the financial services industry. While working in banking, I earned my MBA from Cleveland State University. I moved to Denver for a few years and then returned home to be nearer to family. I have worked in several advising offices and can truly say that RFS is a special place.

I have a natural desire to help others. I am grateful to have found a role where I can use my education and background to help - both clients and the firm - move forward and achieve their goals. I have two daughters that keep me quite busy. They are the best of friends (for now) and I consider it an honor to be their mother. As they are getting older, it has been fun to watch them perform in ballet recitals and as of late, a few musical productions! Speaking of music, my husband is a musician. We have a LOT of music equipment in our basement. He also has a day job, but music is where his passion lies. When I am not driving my girls around town, I enjoy being outdoors, jogging and planning our next family adventure. I drink way too much coffee, yet fall asleep during the first 10 minutes of most movies.

Now that you know a bit about me, I hope to learn more about each of you. I am happy to help with any questions or needs you may have, and I look forward to talking with you soon! ■

Choose Your Financial Team Wisely (Continued)

To start your search to hire an accountant, consider these helpful tips:

- Ask your friends, business associates, colleagues, and other trusted advisors for referrals. Please let us know if we can assist you with this process.
- Review company websites and professional credentials to make sure the firm and individual are in good standing with regulatory agencies.

Some good sources of information on tax preparers include:

- Your state licensing board (In Ohio: [License Look-Up | eLicense \(ohio.gov\)](#))
- National Association of Tax Professionals [National Association of Tax Professionals \(NATP\) \(natptax.com\)](#)
- National Association of Enrolled Agents [National Association of Enrolled Agents \(naea.org\)](#)

The best time to find a new accountant is outside of the busy tax preparation months of January through April. After you develop a short list of prospects, call or meet with them to discuss your personal situation. Expect to share a copy of your most recent tax return with them and let them know of any developments that will impact your next return. Ask questions about their fee structure, services offered, areas of expertise, and their ability to meet with you throughout the year. Find out if their quoted fee includes tax planning advice or if an additional fee is involved for that service. Many offer a free initial consultation or charge a nominal fee that can be applied to the first engagement or return they prepare for you. If they are not a good match for you, they may be willing to offer a referral to someone more appropriate for your situation. Understand how they protect your personal information and if they outsource any of their work.

Trust your instincts. If you don't feel the individual is a good fit for you, move on to others you are considering. The time you invest in the search process is worth the effort. ■

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Biden Administration Announces Three Part Student Debt Relief Plan

Colleen M. Cleary, CPA/PFS, CFP®

A long-awaited announcement regarding student debt relief was made by the Biden Administration on August 24. The three-part plan is geared towards helping low- and middle-class federal student loan borrowers get on more sound financial footing so they can transition back into loan repayment in January 2023. The three prongs of the plan are as follows:



- 1) **Extends the student loan repayment pause one final time through December 31, 2022.** Federal student loan payments will resume in January 2023.
- 2) **Provides debt relief to eligible low- and middle-income families through debt cancellation policies.**
 - The US Department of Education will provide up to \$10,000 of debt cancellation to non-Pell Grant recipients, and up to \$20,000 of debt cancellation for Pell Grant recipients with loans with the Department of Education. To qualify for debt cancellation, annual income levels are capped at \$125,000 for individuals and \$250,000 for households.
 - In addition, temporary changes are in effect under the Public Service Loan Forgiveness (PSLF) Program. Under this program, qualified public servants employed by non-profits, the military, federal, state, local and tribal governments may be eligible to have all their student loans forgiven after working as a public servant for 10 years or more. ***For a limited time, credits towards forgiveness have been expanded for qualified individuals if applications under the program are made by October 31. Individuals employed at any time by any of the organizations listed above should visit [Public Service Loan Forgiveness - The White House](#) before October 31 for more information and enrollment details.***
- 3) **Proposes making the student loan system more manageable for current and future borrowers by creating a new Income-Driven Repayment (IDR) Plan that will reduce monthly payments for low- and middle-income borrowers.** The Biden Administration proposes to accomplish this by:
 - Limiting the maximum monthly payment for borrowers with undergraduate degrees to no more than 5% of their monthly discretionary income versus the current maximum of 10%.
 - Adjusting the threshold for repayment by borrowers, so that individuals earning under 225% of the federal poverty level are not required to make any payments (equivalent to approximately a \$15 minimum wage for full-time employment)
 - For borrowers with less than a \$12,000 loan balance, forgiveness of the remaining loan balance after 10 years of payments (versus current 20-year repayment period before forgiveness).
 - Covers the unpaid monthly interest of borrowers on income driven repayment plans so their loan balance will not grow provided they make payments. This benefit will also be extended to borrowers not required to repay monthly due to their low-income levels.

To learn more about the debt relief plan or register for email updates on student loans, please visit [Subscriptions | U.S. Department of Education](#). ■

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Planning Ahead for College

Janet Edwards, Director of Client Relations

“Success is the sum of small efforts.”

Setting goals and planning for your goals dramatically increases the chances you will be successful.

Compound interest is when the interest you earn on a balance in a savings or investment account is reinvested, it earns you more interest. It has been said, “Money makes money. And the money that money makes, makes money.” As you may understand that interest compounds, small steps can lead to a domino effect of remarkable results and once you start on the path toward your savings goals, it’s easier to continue.



As summer break comes to an end, many of our clients are now focused on back-to-school. It’s that time of the year when many parents and grandparents wonder how they can better plan for their loved ones educational and financial future. Many clients hope their young, loved ones will go to college to study whatever inspires them without the worry of enormous school loans. With the rising costs of higher education, how to pay for that education has many people concerned.

Whether your kids and grandkids are babies or teens, some part of you may already be thinking about college and how to pay for it. Thinking about it early is a smart move as colleges don’t typically come cheap. Though some kids are lucky to acquire full or partial scholarships, most parents end up paying some or all the bills themselves. If your child is young, having time on your side is a powerful force.

Calculate an Estimate of What You will Need to Save

We can assist you with college projections and how much would be recommended to save based on university type and the length of your savings time. There are also many college savings calculators online.

Figure out What You Can Afford and Start a Monthly Savings Goal

No matter how much you care for your loved ones, your financial security should remain a top priority. There are many financial unknowns out there and spending and gifting within your own financial means is also very important.

Many of our clients may be overwhelmed at the price tag for college initially. Don’t let this overwhelm you—even if you are starting late and are struggling to save the full amount necessary, understand that setting aside small amounts of money will make a significant difference in your family’s preparation for college.

We often find that breaking it down into monthly payments will help you budget. By making regular investments starting today, you will have the opportunity to grow these funds without putting away too much upfront.

Invest in a 529 Plan

The most common and popular form of saving for college is the 529 investment plan. The gain you earn on these accounts is not taxed, which is a major advantage for parents. And in some states, you can write off a percentage of your payments from your state taxes. For Ohioans saving with Ohio’s 529 Plan, there’s also a deduction from their state taxable income for contributions made to Ohio Qualified 529 Plans of up to \$4,000 per year, per beneficiary.

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Modern Day Checkbook Balancing

Evan Watson, Investment Analyst

As many of you may remember, or still do, balancing the checkbook was a monthly habit of sitting at the kitchen table with piles of receipts and bills. Gone are the days of keeping a binder filled with the monthly receipts as credit card companies and banking has largely gone online. However, it is still important that you do a review of the ins and outs on your credit card or checking account.

Why should I check my statements?

First and foremost is to make sure that everything looks correct. While the internet has made things easier and more practical, it has also opened us up to fraud. It is important to check to see if there are any fraudulent charges on your account that you did not make.

Additionally, it can be beneficial to get an idea of where your spending is going. While you may be covering your bills and not spending beyond what you make, maybe you are spending more on certain habits than you think. For example, with every network seemingly creating its own streaming platform, the \$5 to \$15 cost per streaming platform can add up quickly. According to research done by C+R Research, consumers underestimated the amount spent on subscriptions by \$133!

Helpful Tools

Reviewing and combing through your monthly statement is a great place to start. Just logging into your bank account or credit card online and reviewing the statements is going to provide you with the relevant information you need. Most of these sites allow you to export the information to excel to be able to sort and review in different ways.

There are also aggregator apps and sites that can help you maintain and review your spending. You can set budgets on these sites and if you exceed your monthly spending or a large purchase is made, they will notify you. While it is still important to review the purchases for fraud, having these budgets set will give a good way to make sure you're not spending beyond your means.

Keep Good Habits

The last and probably most important thing is to do this frequently. If you do this at least once a month, the process should only take 15 minutes. This will also become easier as you figure out your spending and budget and can monitor the normal spending and focus on the odd purchases each month.

Balancing the checkbook is the best way to take the next step in budgeting. This will set you up for success when trying to save for your future goals. ■

Planning Ahead for College

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There are no penalties for withdrawing the funds so long as they are used for educational purposes. Drawbacks to these funds are that if you don't use them for educational purposes, you will pay a penalty on any money you take out.

Talk about it

Many people tend to shy away from discussions about money and finances with their family. If you would like to help support your loved ones or save for their future goals like college, be sure to communicate with everyone. As an example, if you are a grandparent saving for your grandchild's education, communicating this with your adult child can help them do a better job with their own financial planning by knowing what you have saved. Additionally, it is important for parents to be candid with their children as they approach college when evaluating different colleges and how much they will cover vs. how much they expect the child to cover as it may affect their decision-making.

The first step is creating a plan. Jump start your loved one's success with your actions today. Call us if you would like help. ■



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