BLOCKWALL STRATEGIES' FINANCIAL NEWS DIGEST

MONEYLINE

What To Know About Tipping While Traveling

Courtesy of Steven R. Block

Here are five things to think about.

Tip the right people. Certain service providers in the United States rely on tips for the majority of their income. If you leave less than the standard tip, that can affect that worker financially.

Hotel housekeepers, the skycap, shuttle driver, concierge and hotel valet all rely on tips.

Stock up on small bills. If you carry only tens and twenties, you run the risk of forking over too much cash when it comes time to tip.

If your budget is tight and you need to skimp, you can skip some services. That allows you to avoid tipping without being rude to the service provider. For example, you can handle your own luggage by packing light with a no-fuss bag

Read the fine print. Some hotels, especially high-end places, automatically include gratuities for certain amenities, such as room service. Some cruise lines also tack tips onto your bill. Check your hotel's or cruise line's policies.

Tips can get lost in translation. If you're traveling outside the United States, study up on the host culture's tipping tendencies. In some countries, tipping in any situation is not part of the culture and would be considered awkward or even insulting.

BlockWall STRATEGIES, INC.
Building your financial wall, one block at a time

Steven R. Block
Financial Services Professional
CA License #0I63830
520 Lake Cook Road
Suite 600
Deerfield, IL 60015
(847) 495-7790
steve@blockwallstrategies.com

Now is a great time to trade in or sell a used pickup, convertible or coupe, says car expert Karl Brauer. These are the hottest segments in a surging used-car market, with values up 22% in the past 12 months. Models that have increased more than 25% include pickups Ram 1500, GMC Sierra 1500, Chevy Silverado 1500 and Toyota Tundra…coupes/convertibles Chevy Corvette and Camaro…and luxury SUVs Mercedes G-Class and Range Rover Sport.
Source: iSeeCars.com 2021

Learn to avoid your "money pits." A money pit is a store, restaurant or other establishment where you always seem to end up spending more than you had planned to. Ironically, the lure of these places often is savings—but once there, we see so many good bargains that we end up overloading our carts with things we may not need and exceeding our budgets. The best cure may be to quit cold turkey and not ever set foot on the property. In the end, paying a bit more for items in less dazzling places could save you lots of money because you won't run up your bill with items that you don't need. *To find out what your money pits are:* Go through your receipts and credit card statements…or simply ask yourself, *What are the one or two places where I never stick to my plan for how much I'll spend?*
Source: Money.com 2021

"If you would know the value of money, go and try to borrow some."
— Benjamin Franklin

Will Inflation Kill The Recovery?

By Jill Schlesinger, Kiplinger's Personal Finance

This spring, I wrote about how consumers and investors alike should prepare for inflation and then two months later, I wondered whether high prices would persist. So far, the answer to that question is a resounding, "at least for a while!"

The Consumer Price Index (CPI), which measures what people pay for goods and services, soared by 5.4% in June from a year ago, the strongest annual pace since August 2008. The core CPI, which strips out the volatile food and energy components, rocketed up by 4.5% from a year ago, a 30-year high.

While these numbers are eye-popping, Federal Reserve Chair Jerome Powell does not seem particularly stressed out. In his recent testimony before Congress, he told lawmakers that inflation "has been higher than we've expected and a little bit more persistent," but he also reiterated that the gang at the central bank believe that much of the price surge is due to "transitory" factors.

One argument for a chunk of the price increase being temporary is that the current inflation data compare where we are today with the depressed numbers from the pandemic last year, when the economy shut down and prices plunged. But Econ 101 laws of supply and demand are also playing a role in rising prices. Powell noted that the economy has run headfirst into a "perfect storm of high demand and low supply."

He's right, of course, because as the economy has reopened from the COVID-shutdown, consumer demand is red-hot. With $2 trillion in excess savings, we have collectively ditched our paper towel and disinfectant spending and replaced it with all those fun things that we couldn't do for 16 months, like dining in restaurants, visiting salons, and traveling. The big question, according to Capital Economics, "is whether the prices of things like hotel rooms and airfares simply return to pre-pandemic levels or, as we've seen with car rentals, whether pent-up demand will cause a temporary overshoot?"

Economists concede that supply chain issues could remain with us longer than they thought earlier this year. Two examples are lumber futures, which have fallen by nearly 70% from the pandemic peak, but remain well-above pre-pandemic levels, and semiconductors, where a global shortage persists. The latter has caused motor vehicle production to stall, and as a result, has prompted would-be buyers to scorch the earth to find a used car or truck for their summer getaways. Used vehicle prices are now a whopping 40% above the pre-pandemic levels.

Adding to the inflationary pressure are wages, which are rising. In a rare, Onion-esque sarcastic headline, the left-leaning Economic Policy Institute wrote, "Newsflash: Higher pay attracts workers." While some companies can absorb higher employee costs, others are passing them along to consumers, which Economist Diane Swonk of Grant Thornton believes could mean that "Some of the inflation we are experiencing could linger."

Who Qualifies For The Premium Tax Credit?

By Joy Taylor, Kiplinger's Personal Finance

Q: ***I understand that the federal government recently expanded the premium tax credit for those who buy health insurance through a state health care exchange. Who qualifies for the credit now?***

A: Prior to 2021, the credit was available for people with household incomes ranging from 100% to 400% of the federal poverty level, who met other rules. For 2021 and 2022, some people with incomes over 400% of the poverty level can also get credits, depending on the cost of the policy.

The credit amount also is higher for 2021 and 2022, thus reducing the monthly premiums even more. According to a government agency, monthly premiums after these new savings will decrease on average by $85 per policy.

Individuals eligible for Medicare or other federal insurance don't qualify. Nor do people who can get affordable health coverage through their employer.

Q: ***How is the credit amount calculated?***

A: It's estimated when you go on an exchange to buy insurance. The estimated premium subsidy for 2022 is based on your expected 2022 income. Begin with your 2020 modified adjusted gross income — AGI plus tax-free interest, nontaxable Social Security benefits and tax-exempt foreign earned income. Then add or subtract expected income changes. The lower your modified AGI, the bigger the credit.

People who qualify for the credit can choose to have it paid in advance directly to the health insurance company in order to lower their monthly premiums.

Let the exchange know of any changes that could affect the credit amount, including a change in income. For example, if you lost your job and report lower income, the exchange will increase the subsidy for future months, thus putting more money into your pocket. The exchange will decrease the subsidy if you report higher income. Notifying the exchange now can mitigate surprises when you file your 1040 next year.

Q: ***What do I need to do now if I'm getting subsidies for buying insurance through an exchange?***

A: You must file a 2021 return and properly report the health premium credit, even though your income may be below the filing threshold or you expect a refund. You will have to attach Form 8962 to your Form 1040 to compute the actual credit, list any advance payments made to the insurer, and reconcile the two figures. The exchange will send you Form 1095-A to help with the 8962 calculations. If your credit exceeds the premium advances, you can claim the excess on the 1040. If the credit is less than the advances, most will need to repay all or part of the excess.

But take note: The IRS is on the prowl for people who get subsidies for buying insurance on an exchange and either don't file returns or file but erroneously report the credit. Its computers flag returns showing modified AGIs above the limit to take the break.

It's always prudent to consult a tax advisor to discuss your unique situation.

"Banks are being more cautious these days. For mortgages, we require 300% down-payment to cover whatever crisis may show up in tomorrow's news."

Below-offer home appraisals can hinder sales in this market, says real estate expert Martin Eiden. Lenders balk when appraisers say homes aren't worth what would-be borrowers agreed to pay—a possibility in this fast-rising market. *Solution:* Buyers can agree to cover the "appraisal gap" with cash and/or waive the appraisal contingency, increasing the odds that their offers will be accepted. Sellers can have their agents inform appraisers if there were multiple comparable offers, evidence that the home is worth that amount.

Source: Bottom Line Personal Magazine 2021

Never throw these items away; they are likely worth far more than you paid for them: *Old typewriters*—somebody is likely to want them. *Example:* A red Olivetti Valentine model recently sold for $423. *Danish wooden toys*—a hand-carved toy shaped like an animal could be a Bojesen from the 1950s and worth thousands. Use Google to check. *Miriam Haskell costume jewelry*—yes, it's made of glass, but a piece still can sell for up to $1,500. *Perfume bottles*—stumble onto the right brand, and a small bottle could be worth $100…an oversized display bottle worth $500. Check before tossing. *Toasters*—believe it or not, people collect them. Mid-century modern is where it's at.

Source: Kovels.com 2021

"Gratitude is happiness doubled by wonder."
— G. K. Chesterton

BLOCKWALL STRATEGIES' FINANCIAL NEWS

DIGEST

520 Lake Cook Road, Ste 600
Deerfield, IL 60015

How The Law Has Changed Retirement Distributions

By Elliot Raphaelson, Tribune Content Agency

Because of changes in the law governing retirement accounts, it is important for people in their 70s to understand the latest regulations regarding required minimum distributions (RMDs).

If you turn 72 this year, you have an RMD due in 2021. The deadline is based on your birth date. The SECURE Act of 2019 delayed the age threshold for RMDs from 70 1/2 to 72 for those who turned 70 1/2 in 2020 or later. If you were born after June 30, 1949, you are subject to the regulations associated with the SECURE Act. If you were born June 30, 1949 or before, you are subject to the pre-SECURE Act 70 1/2 RMD regulations.

If you are contributing to a 401(k) and are still working, even if have reached age 72, you can delay your RMDs until the year you retire, if your plan allows it.

All IRA owners are now subject to the SECURE Act regulations, and the transition to age 72. However, there is the possibility that Congress will increase the age to higher levels. If this happens, you would be faced with new transition requirements.

Naturally, when you have end-of-year RMD requirements, you do not have to wait until the end of of the year to make withdrawals. There is always the chance that the investment prices may be lower at year-end than the price levels during the year. So, you may want to gradually take distributions throughout the year so that you are not faced with having to make a large distribution at an inopportune time at year-end.

Naturally, if you expect to owe federal taxes in the next year, you should consider withholding some taxes from your RMD. On the other hand, if you expect a large refund, then you could simply request no federal tax withholding.