FLANAGAN FINANCIAL SERVICES
THE FUTURE IS YOURS

FLANAGAN FINANCIAL SERVICES
15255 S 94th AVE SUITE 500
ORLAND PARK, IL 60462
PHONE: 630-235-5273
MFLANAGAN@FLANAGANFINANCIALSERVICES.NET

Property Tax – Inflation?

Well by now those of you in Cook County and possibly other counties have received your property tax bill. Any surprises? In a recent CBS Channel 2 interview with a Humbolt park resident the homeowner's property taxes almost doubled to about $7,100. She might not be the only person. I have spoken several clients and some of those also saw an increase of a similar proportion. Interesting how the tax bills came out after the election. Had you have seen the increase in your tax bill before the election might you have voted differently?

If your property taxes have increased, along with all the other inflationary increases then the question becomes where is the additional income going to come from to help cover those increased expenses? There could be 4 or more possible options:

1) Just reduce your standard of living to cover the cost if you are a single-family homeowner. Less spending could help the Federal Reserve meet their mandates. Should you own rental property, then maybe you can increase rent to help cover the cost. But a big question could be what if you can't raise the rent or raise it enough to cover the increased cost? Does this mean your property is generating negative cash flow? Another result could be that property values might decrease, but that doesn't mean that your property taxes will. Illinois has the second highest property tax percentage at about 1.98%. Only NJ is higher at about 2.05%. Higher taxes, higher interest rates, fewer people living in Chicago could lead to a real estate value implosion. Maybe the question becomes: Do you stay, or do you go?
2) Possibly reposition money in short term accounts like savings, money market, CD's or checking. There might be options that might be able to help generate additional income to help cover the increased cost. Leaving money in account which does not help keep pace with inflation, could have a negative long-term affect on your standard of living.
3) Continue to deplete your savings to pay the taxes. Implementing a strategy of this kind could mean that you are entering possibly, a financial decreasing spiral as you need more and more principal to cover the increases. This occurs because there is not enough interest being earned to prevent the decrease in your account. This could mean you run out of money sooner.
4) Appeal the tax bill. This might be an option, but you still need to pay the bill before the due date and then you and just about everyone else that received a property tax increase maybe appealing. Appeals can take a long time to be resolved. Question does government typically work fast to process refunds or do they take their time? Your appeal might be heard in the next couple of years, but by then the value of your home may have increased so the old tax becomes the new tax or possibly more.

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If the increase for long time homeowners increased rather dramatically, then what about those that just purchased property in the last 1-2 years. They might be in a position where they could be forced to sell due to these dramatic increases.

A number of prominent individuals from the financial field have discussed the possibility of a recession. Given that it has been several years since the last recession, I'm not sure if individuals today understand what it is since they personally may not have experienced one. We hear the terms: soft-landing vs a hard landing. But what does this really mean to the average worker. Many younger workers have not experienced a true recession and may believe that it will be like the 2020 stock market rebound with a quick bounce back. But what if it's not?

The real question might be Do you know the difference between a recession and a depression?

A recession is when some else loses their job, while a depression is when you lose yours. Are you prepared for your possible depression?

Now is the time to have a conversation on ways that might help you be prepared for not only current inflationary issues, but also to prepare for potentially uncertain times ahead. Property taxes might just be the beginning of sticky increased costs. If so are you prepared for future negative financial events. Again, now might be the time for us to discuss ways to generate additional income, possibly more tax advantaged income. If you would like to try and earn more interest to help cover this as well as other expenses, then give Milton Flanagan a call at 630-235-5273 or email mflanagan@flanaganfinancialservices.net and we can discuss your situation in greater detail. Doing nothing could mean running out of money before running out of air.

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