

The ADVISOR

Summer 2021 Newsletter

 **UNITED FINANCIAL CENTER**
INVESTMENTS* INSURANCE TAXES

4763 E Camp Lowell Dr Tucson, AZ 85712
☎ (520) 321-1777 🌐 www.unitedfinancial.net



The Infrastructure, Inflation, and Taxes

At United Financial Center, we are watching the news for changes that can affect your Investments, Insurance, and Taxes. One such change is the proposed American Jobs Plan currently being discussed in Washington. The House, Senate, and the President all have plans to utilize anywhere between \$1 to \$2.2 trillion on the nation's infrastructure and other projects.

Funding for the Plan could include the increase of corporate tax rates to 28%, cracking down on companies that use overseas operations, and eliminating some tax breaks, whose effects will be felt at the individual level via inflation. Some Senators hope to fund the Plan with no increased taxes. Others believe the Administration will target those who make above \$400,000 a year. There is also talk about increasing capital gains taxes for individuals making more than \$1 million a year and possible adjustments to the estate tax exemption.

Securing A Strong Retirement Act

The Securing a Strong Retirement Act - also referred to as the second version of the SECURE Act - is currently moving from the House of Representatives to the Senate. The bill may change drastically before being signed into law, but here are some potential benefits of the act:

- **RMDs:** If you contribute to a 401(k) or IRA, you may be allowed to wait until age 74 to start taking RMDs from your retirement accounts.
- **Catch-up Contributions:** For those over 60 with an IRA, you may be allowed to contribute an extra \$10,000 per year to their retirement accounts.
- **Student Loans:** Employers may be allowed to match retirement contributions for employees who are paying off student loans.

Material discussed is meant to provide general information and it is not to be construed as specific investment, tax or legal advice. Neither United Planners nor its financial professionals render legal or tax advice. Please consult with your accountant or tax advisor for specific guidance. Please seek such advice from your own tax and legal counsel.

2021 Retirement Confidence Survey

When planning for retirement, it is important to understand your sources of retirement income. Will your retirement resources match your reality? For example, Social Security tends to be one of the most misunderstood sources of retirement income. Preliminary estimates call for a 4.7% cost-of-living increase (COLA) in Social Security benefits next year. Is this enough to keep up with necessary expenses of retirement?

For more than 30 years, the Employee Benefit Research Institute (EBRI) has conducted the Retirement Confidence Survey, which gauges the views and attitudes of working-age and retired Americans regarding retirement and their preparations for retirement. Part of the survey takes a deep dive into workers' expectations for sources of income in retirement versus retirees' actual income sources.

Here's a couple of highlights of the 2021 survey:

- Only 33% of workers expect Social Security to be a significant source of retirement income. In reality, 62% of retirees say it's a major source.
- More than 50% of workers believe that workplace retirement savings plans will be a significant source of retirement income. But the 2021 survey found that workplace plans are a major source for only 20% of retirees. These numbers are consistent year after year.
- 26% of workers plan to work for pay in retirement. In reality, only 7% of retirees do.

It's critical that your finances support your retirement vision, so there are no surprises when it's your turn.

Inflation Outlook for 2021

Consumer prices are rising while the economy continues to recover from the effects of COVID-19. In fact, the Consumer Price Index (CPI) in May 2021 rose 0.6% from April 2021, jumping by a greater-than-expected 5.0% year-over-year (from May 2020 to May 2021).

Over Memorial Day weekend, gasoline prices hit the highest for this holiday weekend since 2014. The average price jumped to \$3.04 per gallon (\$1.08 higher than last year's lockdown prices) and oil prices have continued to

(Continued on pg 2)

demonstrate high demand in the week following.

Federal Reserve Chair Jerome Powell has said it could be a mistake to see inflation as a guest long overstaying its welcome. “One-time increases in prices are likely to only have transitory effects on inflation,” Powell said. He added, “It will take some time before we see substantial further progress.”

With reports of rising prices and talks on inflation, it can be difficult to know how concerned one should be. Regarding your portfolio, this is another case in which focusing on your personal economy will likely be more beneficial than listening to the media buzz.

The “Dirty Dozen” Tax Scams

Every year the IRS releases a list of tax scams spotlighting how people try to take your money. Here are 12 common scams to watch out for:

Identity Theft

Thieves claim refunds with a fake tax return. Victims can call the IRS for protection.

Phishing

Be wary of fake IRS emails or websites trying to steal your personal information. Contact the IRS directly to verify the request.

Telephone Scams

Scammers pretend to be the IRS saying you are due a refund or owe money, threatening arrest. Contact the IRS and Federal Trade Commission using the “FTC Complaint Assistant” at [FTC.gov](https://www.ftc.gov).

Inflated Refund Claims

Tax preparers promising inflated returns may ask clients to sign a blank return or charge fees based on a percentage of the refund.

Return Preparer Fraud

Dishonest preparers use tax preparation to steal your personal information. Only use a trusted preparer with an IRS Preparer Number.

Hiding Income Offshore

The IRS can identify offshore holdings. It is costly to fail to report.

Impersonation of Charitable Organizations

Fraudulent charities obtain private information. Donate only to recognized charities. Beware of charities with a similar name to the real ones.

False Income, Expenses or Exemptions

Falsifying your tax return is a high risk, low reward exercise, especially in this age of Big Data.

Frivolous Arguments

Ignore promoters of frivolous arguments that promise tax relief. You may be subject to penalties and possible jail time.

Falsely Padding Deductions or Returns

Dishonest deductions to reduce taxes may open you up to penalties and prosecution.

Abusive Tax Structures

Beware of saving taxes through complex tax structures. It may be nothing more than illegal tax evasion.

Excessive Claims for Business Tax Credits

It’s unusual to claim the research credit or the fuel tax credit limited to off-road uses, such as farming.

What are NFTs?

Non-fungible tokens, or NFTs, are digital files attached to blockchain codes. These blockchain codes are what identifies a digital “coin” and makes it tradeable to those who accept that sort of payment.

The code identifies the digital file as a unique item. This may be a digital file from an image or a cartoon or a music or video file. If you trade one digital currency “coin” with another, they have the same value (despite having different blockchain codes).

The same goes for regular currency. A dollar bill is worth the same as another dollar bill. That’s “fungible.” A “non-fungible” item would be a unique or rare item, which may have a different value. However, like all collectibles, there is a risk. While the blockchain code might assure you that you are buying an “original” NFT, there’s nothing to indicate that the token will gain or maintain any value.

