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Data security is a growing problem. As more information is sent electronically, it is vital to protect sensitive, confidential, and personal data. One tool SWA uses is encryption software called AttachPlus. This software converts an original Word or Excel file to a PDF and then encrypts all contents of that PDF using 128-bit encryption when it is attached to an email. The email recipient uses a password to open and view the attached PDF. SWA also uses encrypted online document services, including ShareFile, which use 256-bit encryption and allow documents to remain in their native format such as Excel or Word. When sending sensitive documents or data, please consider using an encryption tool or service to reduce the likelihood of the wrong person gaining access to your private information.

Until August...

The SWA Team

July 2019

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The SWA Newsletter

Ten Money-Saving Travel Tips

Exploring the world sounds fun and exciting, but it can be expensive to travel. However, there are ways to experience the trip of your dreams on a budget. Follow these money-saving tips when planning your next vacation to help make it more affordable.

1. Join a frequent flyer program. It will probably take time to accumulate frequent flyer points, but the perks can be worth it. Depending on the program, rewards can include cheaper fares, upgrades, free companion tickets, and more.

2. Be flexible with scheduling. Timing your ticket purchases wisely can help you save big. Aim to travel during days of the week when airfare tends to be cheaper. Similarly, try to fly at unpopular hours (e.g., early morning or red-eye flights) for more affordable pricing. Avoid traveling during peak holiday seasons and school breaks, and be aware of big events such as conferences or trade shows that tend to make hotel prices soar.

3. Comparison shop. Research online to find the cheapest flights to your desired destination. Mix and match your airlines and airports for the best rates — you might discover that two one-way tickets are cheaper, overall, than purchasing one round-trip ticket. Consider all-inclusive options, since the up-front price you pay is usually the total cost of your trip.

4. Pack smart. Checked baggage fees can rack up quickly, especially if you exceed an airline's weight limit. Try to stick with carry-on luggage or just remember to pack lightly to avoid paying extra for overweight bags.

5. Consider alternatives to hotels. Lower-cost lodging options can include hostels, home-exchange programs, B&Bs, and vacation rentals. But they do require careful research. Find a match that best suits your needs by narrowing down potential options according to your budget, number of guests, length of stay, and space requirements. Look at ratings and reviews to determine whether a particular location and property will work for you.

6. Download apps to your smartphone. Take advantage of free travel apps that can help you save money on things like gas, car rental, airfare, hotels/accommodations, and more. Find and download messaging apps that your family and friends also have so you don't have to pay for text messages you send/receive while traveling.

7. Reduce mobile roaming charges. After a relaxing vacation, you probably won't want to come home to an expensive phone bill due to data roaming charges. Fortunately, many mobile networks offer data roaming deals, so check with your phone's carrier to learn about packages and discounts that may be available to you. And before you embark on your travels, adjust settings on your phone to disable data roaming as well as software downloads. App and phone updates are important, but most can wait until you are connected to Wi-Fi, which is available for free at many places.

8. Find free activities. Regardless of where you're traveling, it's likely that there are plenty of fun and free or low-cost activities. Sightseeing, walking, browsing stores, and attending local concerts/fairs/cultural events are great ways to explore a new place without spending too much (or any) money.

9. Act like a local. Blend in with the locals by dining out and shopping at stores located away from popular tourist streets. Prepare your own food when it's practical, and don't shy away from street food — it's less expensive than a sit-down restaurant.

10. Save on car rental. If possible, stick with public transportation on your trip. But if you must rent a car, book the cheapest option you can find online. You can save even more money by choosing to forego car rental insurance, but you'll want to review your existing auto insurance policy first to see if it comes with some form of coverage for rentals.

How Loneliness Can Affect Your Financial Condition

According to the Pew survey, people who say they are somewhat or very dissatisfied with their personal financial situations are significantly more likely to feel frequent loneliness than those who are satisfied with their finances (17% versus 5%).

According to a Pew Research Center survey, one in 10 Americans reports feeling lonely or isolated from others all or most of the time. While this number may not sound significant, it is alarming, considering that loneliness can also take a toll on your financial situation.

A link between loneliness and dissatisfaction

The Pew survey found that frequent loneliness is linked to dissatisfaction with one's family, social, and community life. People who say they are somewhat or very dissatisfied with their personal financial situations are significantly more likely to feel frequent loneliness than those who are satisfied with their finances (17% vs. 5%). And 14% of people who say they don't have enough income to lead the kind of life they want report feeling lonely or isolated often, compared with just 5% of individuals who have enough income to lead their ideal lives.[1]

A relationship to finances

Although the Pew survey did not draw any specific conclusions, it indicated a link between loneliness and satisfaction with one's financial situation, suggesting how frequent loneliness can lead to financial problems.

Specifically, loneliness can cause a lack of awareness about major financial issues, as well as an increased vulnerability to fraud. Lonely people have fewer opportunities to discuss finances with others face-to-face. This makes it easier for scam artists to take advantage of them by faking emotional support while stealing money.

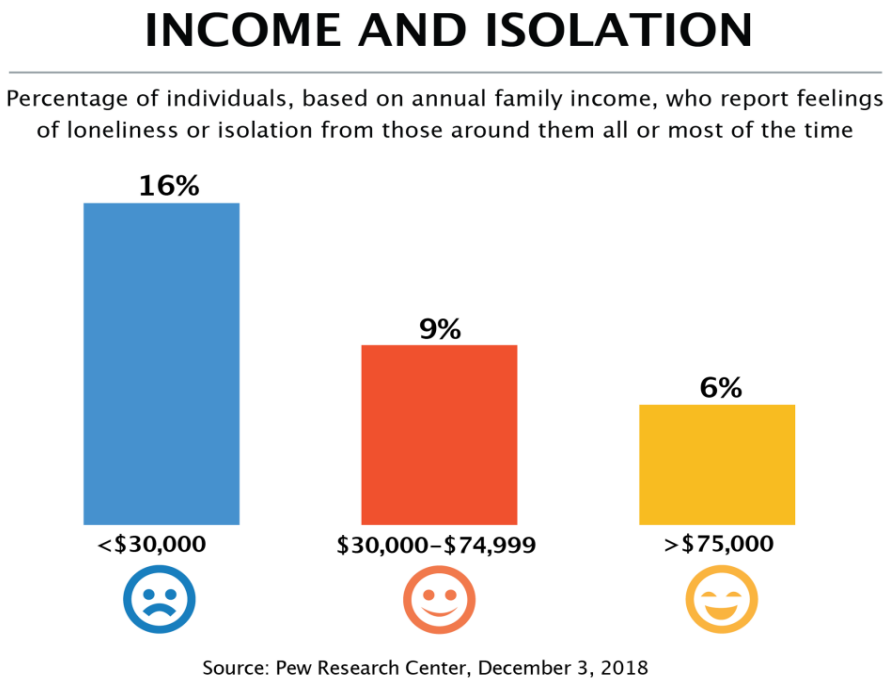
Research has also linked loneliness and worsening chronic conditions. One study found that social isolation is associated with an estimated $6.7 billion in additional federal Medicare spending annually. As social isolation increases, chronic illnesses can grow more severe and result in higher medical bills and stress levels. This can have a harsher impact on those trying to cope alone.[2]

A little less lonely

Fortunately, there are ways to fight against loneliness and its effect on your financial condition. Start by expanding your social circle. Seek volunteer opportunities that will introduce you to new people as well as help you give back to your community. Establish routines that will keep you busy and develop healthy habits that don't cost money, such as spending time outdoors, joining a weekly group, reading, and meditating. Consider seeking guidance from a medical professional who may be able to connect you with local resources to integrate more social engagement into your life.

[1] Pew Research Center, December 3, 2018

[2] AARP, "Medicare Spends More on Socially Isolated Older Adults," November 2017



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Charitable Giving After Tax Reform

Some of the recent changes to the standard deduction and itemized deductions may affect your ability to obtain an income tax benefit from your charitable contributions. Incorporating charitable giving into your year-end tax planning may be even more important now. If you are age 70½ or older and have a traditional IRA, you may wish to consider a qualified charitable distribution.

Tax reform changes to the standard deduction and itemized deductions may affect your ability to obtain an income tax benefit from charitable giving. Projecting how you'll be affected by these changes while there's still time to take action is important.

Income tax benefit of charitable giving

If you itemize deductions on your federal income tax return, you can generally deduct your gifts to qualified charities. However, many itemized deductions have been eliminated or restricted, and the standard deduction has substantially increased. You can generally choose to take the standard deduction or to itemize deductions. As a result of the changes, far fewer taxpayers will be able to reduce their taxes by itemizing deductions.

Taxpayers whose total itemized deductions other than charitable contributions would be less than the standard deduction (including adjustments for being blind or age 65 or older) effectively have less of a tax savings incentive to make charitable gifts. For example, assume that a married couple, both age 65, have total itemized deductions (other than charitable contributions) of $15,000. They would have a standard deduction of $27,000 in 2019. The couple would effectively receive no tax savings for the first $12,000 of charitable contributions they make. Even with a $12,000 charitable deduction, total itemized deductions of $27,000 would not exceed their standard deduction.

Taxpayers whose total itemized deductions other than charitable contributions equal or exceed the standard deduction (including adjustments for being blind or age 65 or older) generally receive a tax benefit from charitable contributions equal to the income taxes saved. For example, assume that a married couple, both age 65, have total itemized deductions (other than charitable contributions) of $30,000. They would be entitled to a standard deduction of $27,000 in 2019. If they are in the 24% income tax bracket and make a charitable contribution of $10,000, they would reduce their income taxes by $2,400 ($10,000 charitable deduction x 24% tax rate).

However, the amount of your income tax charitable deduction may be limited to certain percentages of your adjusted gross income (AGI). For example, your deduction for gifts of cash to public charities is generally limited to 60% of your AGI for the year, and other gifts to charity are typically limited to 30% or 20% of your AGI. Charitable deductions that exceed the AGI limits may generally be carried over and deducted over the next five years, subject to the income percentage limits in those years.

Year-end tax planning

When making charitable gifts during the year, you should consider them as part of your year-end tax planning. Typically, you have a certain amount of control over the timing of income and expenses. You generally want to time your recognition of income so that it will be taxed at the lowest rate possible, and to time your deductible expenses so they can be claimed in years when you are in a higher tax bracket.

For example, if you expect that you will be in a higher tax bracket next year, it may make sense to wait and make the charitable contribution in January so you can take the deduction next year when the deduction results in a greater tax benefit. Or you might shift the charitable contribution, along with other itemized deductions, into a year when your itemized deductions would be greater than the standard deduction amount. And if the income percentage limits above are a concern in one year, you might consider ways to shift income into that year or shift deductions out of that year, so that a larger charitable deduction is available for that year. A tax professional can help you evaluate your individual tax situation.

Qualified charitable distribution (QCD)

If you are age 70½ or older, you can make tax-free charitable donations directly from your IRAs (other than SEP and SIMPLE IRAs) to a qualified charity. The distribution must be one that would otherwise be taxable to you. You can exclude up to $100,000 of these QCDs from your gross income each year. And if you file a joint return, your spouse (if 70½ or older) can exclude an additional $100,000 of QCDs.

You cannot deduct QCDs as a charitable contribution because the QCD is excluded from your gross income. In order to get a tax benefit from your charitable contribution without this special rule, you would have to itemize deductions, and your charitable deduction could be limited by the percentage of AGI limitations. QCDs may allow you to claim the standard deduction and exclude the QCD from income.

QCDs count toward satisfying any required minimum distributions (RMDs) that you would otherwise have to receive from your IRA, just as if you had received an actual distribution from the plan.

Caution: *Your QCD cannot be made to a private foundation, donor-advised fund, or supporting organization. Further, the gift cannot be made in exchange for a charitable gift annuity or to a charitable remainder trust.*

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What is a college income-share agreement?

A college income-share agreement, or ISA, is a contract between a student and a college where a student receives education funding from the college today in exchange for agreeing to pay a percentage of future earnings to the college for a specified period of time after graduation. The idea behind ISAs is to minimize the need for private student loans, to give colleges a stake in their students' outcomes, and to give students the flexibility to pursue careers in lower-paying fields.

Purdue University was the first college to introduce such a program in 2016. Under Purdue's ISA program, students who exhaust federal loans can fund their education by paying back a share of their future income, typically between 3% to 4% for up to 10 years after graduation, with repayment capped at 2.5 times the initial funding amount.[1]

A handful of other colleges also offer ISAs; terms and eligibility requirements vary among schools.

ISAs are considered friendlier than private student loans because they don't charge interest, and monthly payments are based on a student's income. Typically, ISAs have a minimum income threshold, which means that no payment is due if a student's income falls below a certain salary level, and a payment cap, which is the maximum amount a student must pay back relative to the initial funding amount. For example, a payment cap of 1.5 means that a student will pay back only 1.5 times the initial funding amount. Even with a payment cap, a student's payment obligation ends after the stated fixed period of time, regardless of whether he or she has fully paid back the initial loan.

[1] *U.S. News & World Report,* September 26, 2018

How much money should a family borrow for college?

There is no magic formula to determine how much you or your child should borrow for college. But there is such a thing as borrowing too much. How much is too much? One guideline is for students to borrow no more than their expected first-year starting salary after college, which, in turn, depends on a student's particular major and/or job prospects.

But this guideline is simply that — a guideline. Just as many homeowners got burned in the housing crisis by taking out larger mortgages than they could afford, families can get burned by borrowing amounts for college that seemed reasonable at the time but now, in hindsight, are not.

Keep in mind that student loans will need to be paid back over a term of 10 years (possibly longer). A lot can happen during that time. What if a student's assumptions about future earnings don't pan out? Will student loans still be manageable when other expenses like rent, utilities, and/or car expenses come into play? What if a borrower steps out of the workforce for an extended period of time to care for children and isn't earning an income? There are many variables, and every student's situation is different. A loan deferment is available in certain situations, but postponing loan payments only kicks the can down the road.

To build in room for the unexpected, a smarter strategy may be for undergraduate students to borrow no more than the federal student loan limit, which is currently $27,000 for four years of college. Over a 10-year term with a 5.05% interest rate (the current 2018-2019 rate on federal Direct Loans), this equals a monthly payment of $287. If a student borrows more by adding in co-signed private loans, the monthly payment will jump, for example, to $425 for $40,000 in loans (at the same interest rate) and to $638 for $60,000 in loans. Before borrowing any amount, students should know *exactly* what their monthly payment will be. And remember: Only federal student loans offer income-based repayment (IBR) options.

As for parents, there is no one-size-fits-all rule on how much to borrow. Many factors come into play, including the number of children in the family, total household income and assets, and current and projected retirement savings. The overall goal, though, is to borrow as little as possible.