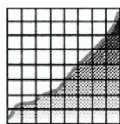


THE ADVISER



WHITE & COMPANY, PC
 CERTIFIED PUBLIC ACCOUNTANTS

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WILL YOU RECEIVE A LETTER FROM THE IRS?

If you received any of the advance child credit payments during 2021, you will receive letter 6149 from the IRS in January 2022. This letter 6149 will indicate the amount of advanced child credit payments you received in 2021. Taxpayers who file a federal return for 2021 will use Schedule 8812 to reconcile their 2021 advance payments with the child credit they are entitled to. For most, the credit will exceed the advance payments because the law required the IRS to send out only six payments in 2021, generally accounting for one-half of the credit. If the credit is less than what you received, you may or may not have to repay the excess.

ARE YOU OVER 70-1/2 AND CHARITY-MINDED?

People age 70-1/2 and older can transfer as much as \$100,000 annually from their IRAs directly to charity. If married, you and your spouse can give up to \$100,000 each from your separate IRAs. The transfers a.k.a. Qualified Charitable Distribution, (QCD), count as part or all of your Required Minimum Distribution (RMD). If born after 6-30-1949 your RMD begins at age 72 but QCDs can still be done after age 70-1/2. But unlike other payouts, these direct gifts are not added to your taxable income. You cannot double-dip and take a Schedule A itemized deduction for the donation. The IRA-to-charity strategy can be a good way to get tax savings from charitable gifts for taxpayers not itemizing write-offs because of higher standard deductions. Make sure you get a receipt from the charity to substantiate the donation.

IMPORTANT DUE DATES

Within 3 days of payroll	-Due dates of employer's Social Security and withholding tax deposits by EFTPS if the IRS has determined you pay semi-weekly
Jan. 18, 2022	-Due date of 2021 Estimated Tax Payment No. 4
Jan. 18, 2022 Feb. 15, 2022 Mar. 15, 2022 Apr. 18, 2022	-Due dates of employer's Social Security and withholding tax deposits by EFTPS if the IRS has determined you pay monthly
Jan. 25, 2022 Feb. 25, 2022 Mar. 25, 2022	-Due dates of monthly state excise tax reports
Jan. 31, 2022	-Due date of Form 940 deposit for 4th quarter 2021 -Due date of employer's payroll tax reports, Form 941, Unemployment, State L&I and State Paid Family Medical Leave reports -Due date of 4th quarter 2021 state excise tax report -Due date for W-2s to be issued to employees and filing deadline for employers to submit Forms W-3 and W-2, Copy A to the Social Security Administration -Due date for all Forms 1099s to be issued to recipients
Mar. 1, 2022	-Due date to submit all Forms 1099 to the IRS if paper filing or March 31, 2022 if e-filing, however, the due date for giving these forms to the recipients remains January 31, 2022 -Due date of 2021 Form 1040 income tax returns for farmers and fishermen who did not pay an estimated tax payment on January 17, 2022
Mar. 15, 2022	-Due date for calendar-year Form 1065 Partnership income tax returns for 2021 -Due date for calendar-year Form 1120S Corporation income tax returns for 2021
Apr. 18, 2022	-Due date for calendar-year Form 1120 Corporation income tax returns for 2021 -Due date of 2021 Form 1040 individual income tax returns. If you expect to owe tax, the tax is due now even if you extend filing your tax return until a later date -Due date of 2022 Estimated Tax Payment No. 1 -Due date for Form 1041 Trust and Estate tax returns for 2021 -Due date for IRA, SEP and Simple contributions for 2021

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TIDBITS

- The odds of winning the Powerball lottery jackpot (Washington State is a participant with 44 other states) is 1 in 292 million.
- If you changed your name because of marriage, divorce or another reason, be sure to report the name change to the Social Security Administration. Go to <https://www.ssa.gov/ssnumber> and select "Name change" to get the details. Names shown on tax returns must match Social Security records. Mismatches can lead to IRS delays in return processing and issuance of refunds.
- 22% of adults indicate they receive financial support from their parents. This increases to 30% for millennials.
- About 55% of parents with adult children say they provide financial support to their children at least occasionally.
- 2022 **standard mileage rates** for use of your car:
 - Business**, 58.5 cents per mile up 2.5 cents from 2021
 - Medical or military**, 18 cents per mile up 2 cents from 2021
 - Charitable**, 14 cents per mile, is unchanged since before 1999. This rate is in the tax code and requires a vote by Congress to change.
- The estimated wealth of the 45 million households that will transfer in the next 25 years is \$68 trillion.
- Women in the U.S. will control an estimated \$30 trillion by the year 2030.
- The percentage of millennials (age 18 to 36) that do not have a will is over 58%.

- 32% of people age 18 to 34 say they now have a will because of Covid 19.
- 2 out of 3 adults in the U.S. still do not have a will despite the pandemic.
- 81% of those age 72 and older have estate planning documents in place.
- Only 58% of baby boomers (ages 53 to 71) have estate planning documents.
- It is estimated that only 53% of eligible employees are currently contributing to their company's 401(k) plan.
- Without a new tax law from Congress, at January 1, 2026 the current federal estate and gift exclusion of \$12.06 million will reduce to the 2017 level of \$5.49 million per person.

THINK ABOUT THIS

Doling out improper refundable tax credits continues to plague the IRS. The agency estimates that in 2020 it wrongly refunded \$16 billion in earned income credits, \$4.5 billion in refundable child credits and \$2.3 billion in American Opportunity Tax Credits. The IRS attributes these erroneous payments in part to complexity in the tax rules, unscrupulous or incompetent preparers, the high turnover of taxpayers eligible to take the credit and refund fraud.

WHO OWNS THE U.S. NATIONAL DEBT

As of December 2021 the total U.S. national debt was \$29.241 trillion (keep in mind that 1 trillion seconds is 31,709 years). The U.S. Treasury manages the U.S. debt through its Bureau of Public Debt. There are two major categories in the U.S. national debt. One is intragovernmental holdings and the other is U.S. debt held by the public. In intragovernmental holdings, the Treasury owes this part of the debt

to other federal agencies. Intragovernmental holdings totaled more than \$6.3 trillion in December 2021. Why would the government owe money to itself? Because some agencies, like the Social Security Trust Fund take in more revenue from taxes than they need. These agencies then invest in U.S. Treasury notes. This transfers the agencies' excess revenue to the general fund, where it is spent. They redeem their Treasury notes for funds as needed. The federal government then either raises taxes or issues more debt to raise the cash. Social Security owns the most Treasury notes, bills and bonds. The U.S. Treasury publishes this information in its Monthly Treasury Statement.

Social Security trusts, including the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, held \$2.84 trillion in the Treasury as of December 2021. The next largest agency was the Military Retirement Fund at \$1.02 trillion. Other large holders of debt include the Office of Personnel Management Retirement, Medicare (which includes the Federal Supplementary Medical Insurance Trust Fund), and finally cash on hand to fund federal government operations.

Public debt holdings are over \$22 trillion. Foreign governments hold a portion of the public debt as well, while the rest is owned by U.S. banks and investors, the Federal Reserve, state and local governments, mutual funds, pension funds, insurance companies and savings bonds.

The Treasury breaks down who holds how much of the public debt in a quarterly Treasury Bulletin. Foreign and international investors held over \$7 trillion, according to its September 2021 bulletin. State and local governments held \$1.17 trillion and mutual funds were \$3.6 trillion.

Other holders of the public debt in-

clude insurance companies, U.S. savings bonds, private pension funds and other holders, including individuals, government-sponsored enterprises, brokers and dealers, banks, bank personal trusts and estates, corporate and non-corporate businesses and other investors.

If you were to add the debt held by Social Security and all the retirement and pension funds, almost half of the U.S. Treasury debt is held in trust for retirement. Current and future retirees would be hurt the most if the U.S. ever defaulted on its debt.

Why the Federal Reserve Owns Treasury Notes

As the nation's central bank, the Federal Reserve is in charge of the country's credit. It does not have a financial reason to own Treasury notes, so why does it?

The Federal Reserve actually tripled its holdings between 2007 and 2014. The Fed had to fight the 2008 financial crisis, so it ramped up open market operations by purchasing bank-owned mortgage-backed securities. The Fed began adding U.S. Treasury notes in 2009. It owned \$1.6 trillion, by 2011, maxing out at \$2.5 trillion in 2014. The Federal Open Market Committee (FOMC) said the Fed would begin reducing its Treasury holdings in 2017. But it purchased Treasury notes again just a few years later.

On March 15, 2020, the Federal Reserve announced it would purchase \$500 billion in U.S. Treasury notes and \$200 billion in mortgage-backed securities over the next several months. The FOMC expanded quantitative easing purchases to an unlimited amount on March 23, 2020. Its balance sheet had grown to \$8.76 trillion by May 2021.

Current Foreign Ownership of U.S. Debt

Japan owned \$1.32 trillion in U.S. Treasury notes in July 2021, mak-

ing it the largest foreign holder of the national debt. The second largest holder is China, which owns \$1.07 trillion of U.S. debt. Both Japan and China want to keep the value of the dollar higher than the value of their own currencies. This helps keep their exports to the U.S. affordable, which helps their economies grow. The other \$4.7 trillion owned by foreign countries is spread among at least 12 countries.

The Bottom Line on U.S. Debt

The U.S. national debt is the sum of public debt which is held by other countries, the Federal Reserve, mutual funds and other entities and individuals, as well as intragovernmental holdings held by Social Security, Military Retirement Fund, Medicare and other retirement funds.

Many people believe that much of the U.S. national debt is owed to foreign countries like China and Japan, but the truth is that most of it is owed to Social Security and pension funds right here in the U.S. **This means that U.S. citizens own most of the national debt.**

HOW TO SAVE ONE OR MORE MILLION DOLLARS

Some people are natural savers, others need to work at savings until it is a habit. Here are a few tips to help save money.

Set a goal or two. If you have something to aim at, it will help keep you motivated. The goals need to be realistic and not too ambitious. The goals can always be adjusted or changed when you reach them.

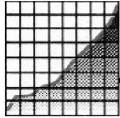
Know where your money goes! Tracking where you spend your income will help you find ways to eliminate expenditures and unnecessary expenses. Consider using a budget tool such as Mint or Personal Capital for smart phones or GNU Cash for desktops.

Pay off high-cost debt. Credit card debt usually carries very high interest rates, at least 18%. It is hard to get ahead paying interest at this level so make one of your goals to get rid of this type of debt. Then quit using any credit cards, use cash only.

Pay yourself first. In addition to putting as much as possible into any retirement plan, at least enough to get any employer match, sign up for an automatic transfer from your paycheck to a savings account. Make one of your financial goals to watch your savings grow.

THE CONSUMER PRICE INDEX IS NO LONGER AN ACCURATE INDICATOR OF SENIORS' INFLATION

The annual increase in Social Security benefits, if there is one (2022 is 5.9%, largest since 1982) often falls short of seniors' actual increased cost particularly when it comes to health care. The major factor here is the cost of Medicare Part B premiums which have historically increased at a higher rate than Social Security benefits. Analysis from The Center for Retirement Research at Boston College found that between 2000 and 2020, the average annual increase for Part B premiums was 5.9% compared to an average annual increase in benefits of 2.2%. The increase in Part B premiums is caused by two factors versus the increase in benefits which uses only one factor, the CPI change. Part B premium increases are first caused by the CPI change (aka inflation) plus the government's increase in quality and amount of care beneficiaries used over the last year.



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January 2022

*****Our newsletter is now available on our newly revamped website whitecocpa.com. Please feel free to take a look around and send us a message with any questions or sign a friend up for the newsletter!***

THINK TWICE ABOUT CANCELLING ANY CREDIT CARD

Did you know that cancelling credit cards, even ones that are rarely used, can actually lower your credit score? Why would that be? Your "credit-utilization ratio", the percentage of your available credit that you are currently using, is a significant component of your credit score, the lower the ratio, the better. When you close a card, your available credit declines which means that the percentage of your available credit you are currently using climbs and that can cost you points on your credit score.

Credit scores are not the only factor lenders consider. Occasionally a lender might decide not to extend additional credit to a borrower because he/she already has lots of credit cards but lenders rarely consider this a major problem.

Not cancelling unused credit cards is the smart move or, better yet, make purchases with otherwise unused cards every few months to dissuade their issuers from cancelling them.

Exceptions: Consider cancelling an unused card if it has a high annual fee and a low credit limit. That low limit means it probably is not helping your credit-utilization ratio enough to justify its cost.

UNEMPLOYMENT EXCLUSION REFUND CHECKS FOR 2020

The IRS continues to work on refiguring the estimated 16 million returns but the process is slow. When all of the returns will get processed is unknown. At December 31, 2021, 11.7 million returns had been refigured. The IRS is currently redoing all of those returns, paying out the monthly child credit payments (this ended on 12-15-2021), has 6.8 million unprocessed 2020 Form 1040s at the end of November 2021 plus the 2.7 million unprocessed Form 1040X returns. This backlog makes you wonder if the IRS needs more employees. However, with the current employee levels at approximately 75,000 (2019) and the budget of \$11.3 billion (2019), it makes you wonder if more employees is the answer to the backlog.