THE ADVISER

WHITE & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS

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INSIDE.....

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
Sept. 15, 2023 Oct. 16 2023 Nov. 15, 2023 Dec. 15, 2023	-Due dates of employer's Social Security and withholding tax deposits by EFTPS if the IRS has determined you pay monthly
Sept. 15, 2023	-Due date of Form 1120S (S Corporation) tax returns and Form 1065 (Partnership) tax returns if an extension was filed on March 15, 2023 -Due date of Form 1041 (Trust or Estate) tax returns if an extension was filed on April 17, 2023 **-Due date of 2023 Estimated Tax Payment No. 3**
Sept. 25, 2023 Oct. 25, 2023 Nov. 27, 2023 Dec. 26, 2023	-Due dates of monthly state excise tax reports
Oct. 16, 2023	-Due date of Form 1120 (Corporation) tax returns if an extension was filed on April 17, 2023 -Due date of Form 1040 (individual) tax returns if an extension was filed on April 17, 2023
Oct. 31, 2023	-Due date of Form 940 deposit for 3rd quarter 2023 -Due date of employer's payroll tax reports, Form 941, Unemployment, State L&I, State Paid Family Medical Leave and WA Cares Long-Term Care reports -Due date for 3rd quarter 2023 state excise tax report **-Time to start pre-year end tax planning!**

TAXATION OF SOCIAL SECURITY BENEFITS

After decades of having Social Security taxes withheld from your paycheck, you may not expect to pay taxes on the benefits you have earned. But if you have other sources of income, such as a job, a pension or withdrawals from tax-deferred retirement savings plans, there is a good chance you will pay taxes on up to 85% of your benefits. Depending on where you live, your state may tax your benefits, too.

The government started taxing a portion of Social Security benefits 40 years ago as part of an overhaul designed to shore up the program's finances. Legislation signed by President Ronald Reagan in 1983 imposed taxes on up to 50% of benefits if a retiree's other income exceeded specific limits. Ten years later, President Bill Clinton signed legislation that made up to 85% of benefits taxable for retirees whose earnings exceeded a second income threshold. In 2020, an estimated 56% of retirees paid income taxes on a portion of their Social Security benefits.

The other income level thresholds where taxation begins have not increased since the levels were originally set in l983 and 1993.

TIDBITS

- If you cannot remember the last time you paid cash for groceries or a cup of coffee, you are not alone. More than 50% of Americans say they do not use cash for any of their purchases in a typical week, up from 24% in 2015, according to PEW Research.
- A more green planet? New Zealand will tax sheep and cattle emissions starting in 2025. The island nation has only 5 million people but 10 million cattle and 26 million sheep. The government will provide incentives for farmers that reduce methane through feed additives and other methods.
- Unless you are well into your nineties or have lived in a country without an established banking system, it is highly unlikely you have ever lost money due to a bank failure. Since the Federal Deposit Insurance Corp. was created in 1933, no bank customer has lost a penny in insured deposits, even during the darkest days of the 2008-09 financial crisis.
- ATMs are getting harder to find. The number of ATMs in the U.S. peaked at 470,000 in 2019 but fell to 451,000 by year-end 2022. Many people quit using cash during the pandemic.
- Retirees need to live 12 to 14 years past the age of 70 to get rewarded for waiting until age 70 to claim their Social Security benefits. They lose money if they do not live longer.
- It is estimated that the cost to American seniors that were scammed last year was $36 billion.
- Only 1 in 42 cases of senior exploitation gets reported to authorities.
- Approximately 40% of a typical U.S. college student's tuition is being paid via the parents' direct contribution.
- 20% of American households have no assets to pay for a financial shock.
- 80% of those over 60 years old could not sustain a financial shock.
- On average, 44% of the total income tax returns are filed in February, 34% in March and 22% in April.

THE JARGON OF INVESTING

Investing jargon can definitely create barriers to start investing and can have negative effects on our ability to build a financial nest egg. The following defines some of the most searched investment terms looking for definitions.

Accredited investor: To be an accredited investor that can withstand losses, an individual by SEC definition, has to have a net worth of at least $1 million or annual income of at least $200,000 over the past two years. Licensed financial professionals also qualify as accredited investors.

ADR: American depositary receipts are tradable securities issued by U.S. banks that represent shares of foreign companies.

Bear or bull market: Drops of 20% are called bear markets. Why bear? One theory is that bears swipe their claws downward in attacks. A rise of 20% is called a bull market, possibly because bulls attack by lifting with their horns.

Call option: A contract between a buyer and seller to purchase a certain stock at a certain price up to a defined expiration date. The buyer has the right but is not required to exercise the call and purchase the stock.

Day trading: An investor tries to earn money by buying and selling securities to capitalize on intraday market price action. Most day traders underperform long-term investors.

Dead cat bounce: This is a short-term recovery of the declining value of a security.

Derivative: A contract that derives its value from the performance of an underlying item. The underlying item can be an asset, index or interest rate.

Dividend yield: The percentage of the stock's current price that is paid annually to shareholders (annual dividend payout divided by stock price).

IPO: An initial public offering where a company starts selling their ownership shares to the public. To become a publicly owned company it must provide audited financial statements and meet investor protection regulations for the SEC.

Margin trading: Investors that set up a margin account with their broker can borrow up to 50% of the cost of their investments to buy more investments. This leverage can create profits but it can also raise the odds of large losses.

Rule of 72: One way to quickly estimate the amount of time it takes for an investment that pays a steady rate of interest to double in value is to use the Rule of 72. Simply divide 72 by the annual interest rate. A CD paying 5% should double in about 72/5 years, or 14.4 years, for example. The rule of 72 is not exact, but it gets pretty close!

Shorting: Investors who short a stock believe the price is due to fall. To execute a short sale, traders borrow shares of the stock from another investor or brokerage, and then sell the shares. The "shorts" hope that by the time they have to return the security to the lender, they will be able to buy it back for less and pocket the difference.

Yield curve: A graph of the interest rates of short, intermediate and long-term bonds plotted against their maturities depicts the yield curve. In normal economic times, the line curves up because investors typically demand higher yields for locking up their money for longer periods. When the line flattens or turns down, it means that bond buyers are willing to accept lower long-term rates which is often an indication of worries about an impending recession.

SELLING YOUR HOME TO A REMOTE WORKER?

Some remote workers that are homebuyers are concerned about widespread layoffs, especially in the tech and finance sectors. They have been inserting clauses in their contracts that allow them to back out of the purchase if they are laid off before the closing. These contingencies became popular after the 2008 financial crisis but then faded until recently. The clauses allow buyers to back out and pay minimal penalties instead of losing their entire deposit. The contingencies are most likely to be accepted by sellers in areas where homes have become difficult to sell, not in places where multiple bids for a house remain common.

THE BANK OF APPLE

Apple is making a play for a bigger slice of your financial business. The tech giant, in partnership with Goldman Sachs, launched a new savings account in late April. The account offers an impressive 4.15% interest rate. The current national average yield on savings accounts is only 0.39%, according to the FDIC, but many high-yield savings and money market deposit accounts now offer savings rates of over 4%. There are no fees, no minimum deposits and no minimum balance requirements, and the account is FDIC insured. But to open the savings account, you first need to apply for the Apple Card (iPhone users will find instructions in the Apple Wallet, and you will undergo a credit check as part of the application process). Daily Cash, the money you earn on purchases through your Apple Card, is automatically deposited into the savings account. Users can easily set up and manage the savings account via a Savings dashboard directly from Apple Wallet. You can add money to your Apple Savings account through a linked bank account or from an Apple Cash balance.

THE FIVE-YEAR RULE ON ROTH IRAs

It determines whether payouts of Roth IRA earnings are tax-free to you. Generally speaking, distributions of earnings from Roth IRAs are tax-free if the owner is at least 59 1/2 at the time of the withdrawal and at least five tax years have passed since the owner first made a contribution into any Roth IRA.

The five-year clock starts the first time money is deposited into any Roth IRA that you own, through either a contribution or a conversion from a traditional IRA. The clock does not restart for later Roth contributions or for newly opened Roth IRA accounts.

Here is an example. Say you have owned a Roth since 2011 and in January 2021, you opened and funded a second Roth IRA. Because you funded your first Roth IRA in 2011, you need not wait five years to take money from your second Roth for the earnings to be tax-free, provided you are at least 59 1/2 at the time of the payout. Note that it is only the Roth earnings in the account that this five-year rule applies to.

Remember, original contribution amounts and conversion amounts can always be distributed tax free!

FAFSA GETS A REDO!

Parents will have to wait longer this year to fill out the Free Application for Federal Student Aid.

Traditionally, the FAFSA, which millions of families fill out each year, releases October 1st. The U.S. Department of Education, however, recently announced that the FAFSA for the 2024-2025 school year will not be available until sometime in December 2023.

The delay is due to the significant overhaul of the FAFSA, which the Department of Education has characterized as the most ambitious and significant redesign of the federal student aid application in decades.

The Department of Education promised, in a document published in March, entitled 2024-2025 FAFSA Roadmap, that before the new FAFSA is available it will release information to all interested parties, including financial aid administrators, families, high school counselors, college consultants and financial advisors. Also in March, the department released a draft version of the new FAFSA and solicited comments on it. The comment period ended on May 23rd.

One of the main goals of the FAFSA overhaul is to make it simpler to complete. The current FAFSA has 108 questions. The draft version shaves that number down to 46, although some include multiple parts.

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SERVICE GUARANTEE

Our work is guaranteed to the complete satisfaction of the customer. If the customer is not completely satisfied with the services performed by White & Company, PC we will, at the option of the customer, either refund the fee or accept a portion of the fee that reflects the customer's level of satisfaction.

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OWNING A VACATION HOME

Here are a few things to know when looking to buy or own a vacation home in another state.

-Prices are at an all-time high and borrowing can be challenging. Mortgage rates are typically 0.5 to 0.75 percentage points higher for a second home versus a primary home. If you are borrowing, mortgage rates are the highest they have been in 20 years. You should also expect to make a down payment of 10% to 20% on a conventional mortgage for a second home, though a larger down payment could give you a better chance of qualifying for a lower interest rate.

-Most owners underestimate how much they will owe in annual upkeep and maintenance on a second property. Depending on the age of the building, maintenance costs may shock you. Maintenance on a newer place may require only 1% to 4% of the value but an older place can cost from 5%to 10% of the value.

-Depending on the location of a vacation home, real estate taxes can be a nasty surprise. Some states without an income tax have very high real estate taxes, check this out before you buy.

-States with income tax or no income tax. Buying your home in an income tax state may increase your total income taxes paid. This will depend on how long you spend in your vacation home. Most states with an income tax say you are a resident if you spend 183 days in their state.