


Success InSight®


Fall 2021

Year-End Tax Strategies



Its that time again. Check these year end tips and act before December 31 to maximise 2020 tax breaks

 If your qualifying expenses are more than the standard deduction, (\$12,550 if you are single, or \$25,100 if you're married filing jointly) you can itemize your deductions for a lower tax bill. If you are close to that threshold you may be able to pay some 2022 expenses in 2021 so you can itemize. This is referred to as bunching. Instead of taking the standard deduction every year, in alternating years, you avoid or defer paying deductible expenses to stay below the standard deduction amount because you will get the same standard deduction regardless of what you spend. Pushing more deductible expenses into the next year when you have enough expenses to itemize.

 **DEFER OR ACCELERATE YOUR INCOME.** Income is taxed in the year it is received. It's difficult to delay a paycheck but you may be able to arrange some of your income. For example, if you are planning an IRA withdrawal or getting a year end bonus, you may be able to delay that into 2021. Benefits include avoiding a higher tax bracket or staying below the income threshold required for taking certain deductions.

If you are self-employed you may can delay billings until late December, for example, to ensure that you won't receive payment until the next year. You may also defer income by taking capital gains in 2022 instead of in 2021. This strategy works for those who will be in the same or a lower tax bracket next year. Don't do it if the additional income could push you into a higher tax bracket in 2022.

If you expect 2021 to be a low income year but think 2022 will be much higher, you may want to accelerate income into 2021 so you can pay tax on it in a lower bracket sooner, rather than in a higher bracket later. If you are in that boat, this is a good year to

take capital gains and any withdrawals you have been planning.

 **TAKE ADVANTAGE OF ANY AVAILABLE DEDUCTIONS.** Here's a few to consider:

- **Contribute to charity.** If you take the standard deduction, you can claim a deduction of up to \$300 for single filers and \$600 for married filing jointly for cash contributions to qualifying charities. If you itemize, you can deduct contributions equal to up to 100% of your adjusted gross income. You can double your savings by donating stocks instead of cash. You get a deduction equal to the full market value of the asset plus you avoid capital gains on the sale of the stock.
- **Sell loser investments.** If you expect to owe capital gains tax this year, it's a good year to sell off any loser stocks, mutual funds or real estate. You can then use those losses to offset your taxable gains. Losses offset gains dollar for dollar. Also, if your losses are more than your gains, you can use up to \$3,000 of excess loss to wipe out other income. If you have more than \$3,000 in excess loss, it can be carried over to offset income in future years.
- **Maximize your retirement contributions.** For 2021, the maximum allowed for a 401k is \$19,500 or \$26,000 if you are age 50 or over. For IRA's, you can contribute a maximum of \$6,000 plus an extra \$1,000 if you are 50 or older. If you are self-employed, you might consider a SEP IRA or a Keogh plan. Your retirement account must be established by December 31, but contributions may still be made until the tax filing deadline (including extensions)

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From the Financial Hotline



Call, fax or e-mail for answers to all your financial questions.

Q: I was advised to incorporate cost accounting for my business. What exactly is that?

A: Cost accounting reports and determines the various costs associated with running your business. With cost accounting, you track the cost of all your business functions - raw materials, labor, inventory, and overhead, among others.

Cost accounting differs from financial accounting because it's only used internally, for decision making. Because financial accounting is employed to produce financial statements for external stakeholders, such as stockholders and the media, it must comply with generally accepted accounting principles (GAAP). Cost accounting does not. Cost accounting allows you to understand the following:

- Cost behavior. For example, will the costs increase or stay the same if production of your product goes up?
- Appropriate prices for your goods or services. Once you understand cost behavior, you can tweak your pricing based on the current market.
- Budgeting. You can't create an effective budget if you don't know the real costs of the line items.

To monitor your company's costs with this method, you need to pay attention to the two types of costs in any business: fixed and variable.

Fixed costs do not fluctuate with changes in production or sales and include rent, insurance, dues and subscriptions, equipment leases, payments on loans, management salaries and advertising.

Variable costs do change with variations in production and sales. Variable costs include raw materials, hourly wages and commissions, utilities, inventory, office supplies, packaging, mailing, and shipping costs.

Cost accounting is easier for smaller, less complicated businesses. The more complex your business model, the harder it becomes to assign proper values to all the facets of your company's functioning.

Q: What are the main differences between stocks, bonds and mutual funds?

A: Bonds, stocks and mutual funds are three basic types of investment options. They have the potential to earn more than a bank account or a certificate of deposit (CD) but they in turn may carry a greater risk of loss.

Bonds are usually issued by Governments, municipalities and companies as a way to raise money. You are essentially lending the issuer money in exchange for their promise to pay you back the principal (the amount you invested) with interest by a certain due date or maturity date. Some bonds also offer tax advantages. One example is U.S. savings bonds.

Stocks allow you to purchase and own a share of a company. When a company wants to raise money, it will sell shares of its stock. Some companies give you voting rights at annual meetings and some periodically pay shareholders part of profits. This is called a dividend. On the other hand, if you purchase a share of stock and the price goes down, when you sell it, you will lose money.

A mutual fund is a company that pools money from many investors and invests the money in securities such



as stocks, bonds, and short-term debt. The combined holdings of the mutual fund are known as its portfolio. Most mutual funds' investments are outlined in the fund's prospectus.

Q: What is a high yield checking account?

A: You have heard of credit cards that offer rewards? Now, many banks offer checking accounts with automatic rewards or higher interest returns. Why choose a high-interest account?

A typical savings account earns only a fraction of a percent in interest. The average bank CD locks your cash up for years for .27% APY. But if you can earn closer to 1% plus earn instant rewards with the right high yield checking account. However, there are specific requirements for earning interest. For example, you can earn 2.09% APY on balances up to \$10,000 with Consumers Credit Union Free Rewards Checking. But only if you also make 12 monthly debit card purchases, have monthly electronic transactions of at least \$500 and receive e-statements. You can earn even more if you use a Consumers Credit Union credit card, too. Meet the requirements above and also make \$500 in credit card purchases, and you earn 3.09% APY on balances up to \$10,000. Make an additional \$500 in credit card purchases, and the APY on balances up to \$10,000 is 4.09%. If you don't meet monthly requirements, your money earns 0.01% APY on all balances.

Look for accounts that have competitive rates and low fees. You don't want to pay a monthly maintenance charge that cancels out your earnings.





A close-up of a calculator with a digital display showing 'TAX 2021'. The calculator is white with black buttons and is resting on a surface with a grid pattern.


Year-End Tax Strategies • continued from page 1

for your 2021 return. The amount you can contribute depends on the type of Keogh plan you choose.

- **Maximize your Health Savings Account contributions.** For 2021, the annual limit on HSA contributions is \$3,600 for self-only and \$7,200 for family coverage.
- **Bunch Medical Deductions.** In order to claim a deduction for medical and dental expenses, they must exceed 10% of your AGI. If you are close to that threshold, and have the funds, you may want to prepay for next year's medical procedures. You may be able to prepay for physical therapy sessions or other medical treatments. Don't forget expenses like braces, dentures and vision expenses such as laser surgery and contacts are also qualifying expenses.

 **REVIEW MINOR CHILDREN'S INCOME.** The kiddie tax taxes a child's investment income above \$2,200 at the same rates as the parents. If the child is a full-time student who provides less than half of his or her support, the tax usually applies until the year the child turns age 24.

 **DON'T FORGET REQUIRED MINIMUM DISTRIBUTIONS (RMDs).** You must start making regular minimum distributions from your traditional IRA by the April 1 following the year in which you reach age 72 (70 1/2 if you reached 70 1/2 prior to January 1, 2020). These requirements were suspended for 2020 but they are back in force for 2021. Failing to take out enough will result in a 50% excise tax on the amount you should have withdrawn based on your age, your life expectancy, and the amount in the account at the beginning of the year. RMDs apply only to traditional IRAs. If you have a Roth IRA, the original owner doesn't have to make withdrawals.

 **REVIEW YOUR FLEXIBLE SPENDING ACCOUNTS.** If your company offers a flex plan, the money that goes into has a use it or lose it deadline. If your use by date is year-end, you may want to stock up on medical supply purchases or schedule those appointments you have been putting off to use up those funds.

Debt Check-up

How can you tell when you have too much debt? What if bill collectors are not calling yet, but you are having difficulty paying monthly bills? If you find any of the following statements apply to you, you may need to learn more about managing debt before you try to improve your credit.

- Have you run several credit cards up to the limit?
- Do you frequently make only the minimum monthly payments on your credit cards?
- Do you apply for almost any credit card you are offered without checking out the terms?
- Have you used the cash advance feature from one card to pay the minimum payment on another?
- Do you use cash advances (or use a credit card) for living expenses such as food, rent, or utilities?
- Are you unaware of what your total debt is?
- Are you unaware of how long it would take you to pay off all your current debts (excluding mortgages and cars) at the rate you are paying?

If you answered yes to more than one of these, it's time to take action. Here are some specific steps to help you out of financial trouble:

- 1 REVIEW EACH DEBT.** Make sure that the debt creditors claim you owe is really what you owe and that the amount is correct. If you dispute a debt, first contact the creditor directly to resolve your questions. If you still have questions about the debt, contact your state or local consumer protection office or, in cases of serious creditor abuse, your state Attorney General.
- 2 CONTACT YOUR CREDITORS.** Let your creditors know that you are having difficulty making your payments. Tell them why you are having trouble--perhaps it is because you recently lost your job or have unexpected medical bills. Try to work out an acceptable payment schedule with your creditors. Most are willing to work with you and will appreciate your honesty and forthrightness.
- 3 PRIORITIZE PAYING SECURED DEBT.** A secured debt means the item you purchased will be taken from you if you don't pay. Mortgages, leases and cars are all examples of secured debt. Credit cards are unsecured debt. If you can't pay your rent or your mortgage,

contact your landlord or your lender immediately and ask for help. Most automobile financing agreements permit your creditor to repossess your car any time you are in default, with no advance notice. If your car is repossessed you may have to pay the full balance due on the loan, as well as towing and storage costs, to get it back. Do not wait until you are in default. Try to solve the problem with your creditor when you realize you will not be able to meet your payments. It may be better to sell the car yourself and pay off your debt than to incur the added costs of repossession.

- 4 BUDGET YOUR EXPENSES.** Create a spending plan that allows you to reduce your debts. Itemize your necessary expenses (such as housing and healthcare) and optional expenses (such as entertainment and vacation travel). Stick to the plan.
- 5 TRY TO REDUCE YOUR EXPENSES.** Cut out any unnecessary spending such as eating out and purchasing expensive entertainment. Consider taking public transportation or using a car sharing service rather than owning a car. Clip coupons, purchase generic products at the supermarket and avoid impulse purchases. Above all, stop incurring new debt. Leave your credit cards at home. Pay for all purchases in cash or use a debit card instead of a credit card.
- 6 PAY DOWN DEBTS USING SAVINGS.** Withdrawing savings from low-interest accounts to settle high-rate loans or credit card debt usually makes sense.
- 7 FIND OUT IF YOU ARE ELIGIBLE FOR SOCIAL SERVICES.** Government assistance includes unemployment compensation, Temporary Assistance for Needy Families (TANF) formerly Aid to Families with Dependent Children (AFDC), food stamps, now known as Supplemental Nutrition Assistance Program (SNAP), low-income energy assistance, Medicaid, and Social Security (including disability). Other resources may be available from churches and community groups.
- 8 TRY TO CONSOLIDATE YOUR DEBTS.** There are a number of ways to pay off high-interest loans, such as credit cards, by getting a refinancing or consolidation loan, such as a second mortgage. But, tread carefully, be wary of any loan consolidations or other refinancing that actually increase interest owed, or require payments of points or large fees.
- 9 PREPARE A FINANCIAL PLAN.** A financial plan can alleviate financial worries about the future and ensure that you will meet your financial goals whether they relate to retirement, asset acquisition, education, or just vacations.

American Century Short Duration Inflation Protected Bond Fund (APOIX)

The level and direction of both short and long term interest rates can heavily influence investor decisions and the performance of both the stock and bond markets. The bond market in particular is quite sensitive to changes in the interest rate environment. This principle is at the foundation of the Money Movement Strategy.

There are two primary items to consider regarding a potential investment in this fund: Interest rates; and Inflation. We'll take a quick look at each below.

As a quick refresher, there is an inverse relationship between bond prices and changes in interest rates: as interest rates go up, bond prices go down; and vice versa. But that's not the end of the story. It's also important to recognize that bonds with long maturities (20 or 30 years), are much more sensitive to swings in interest rates than those with very short maturities (1 to 3 years). This sensitivity to interest rates can be measured by a statistic called "duration".

At the conclusion of their most recent monetary policymaking meeting, the Federal Reserve Board (the Fed) indicated that they were likely to begin to "taper" their bond buying program prior to year's end, and that a series of interest rate hikes would likely begin in 2022 and continue into 2023. They also maintained their stance that the current rise in inflation would be transitory.

Inflation, as measured by the Consumer Price Index (CPI), was up 5.4% over the past 12 months according to the most recent release by the Bureau of Labor Statistics. This is a level significantly higher than the Fed's target rate. The primary suspect for rising inflation is the much talked about disruption in the supply chain. Among a longer list of contributors to the problem, the shortages of raw materials, labor and reliable energy sources at the origin of product creation, bottlenecks and labor shortages in major ports, and a long standing shortage of truck drivers here in the U.S. all contribute the problem.

Given the current situation, the American Century Short Duration Inflation Protected Bond Fund (APOIX) might be worth a closer look for a portion of one's portfolio. This fund is actively managed to help reduce volatility associated with rising interest rates, and to combat the corrosive effects of domestic inflation through holdings in inflation-indexed bonds.

If you'd like to discuss this further, or would like a portfolio review to determine if this fund might be appropriate for your portfolio, please call Ted Black, CFP® at 888-878-0001, extension 3.

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Performance annualized and updated through 9/30/2021: 1-Year: +6.61%; 3-Year: +4.71%; 5-Year: +3.06%. The gross annual expense ratio is 0.57%.

Statistics and information provided by Morningstar and American Century Investments. Please visit the American Century website at www.americancentury.com for the most recent performance information. The principal value and investment return will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.

Returns shown, unless otherwise indicated, are total returns, including any capital gains or losses and all dividend and capital gains distributions.

The performance data quoted represents past performance and in no way guarantees future results. Mutual funds are not FDIC insured.

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Cryptocurrency FAQs

This article is intended for educational purposes only and should not be construed as investment advice.

What is the difference between fiat money and cryptocurrency?

A: A fiat currency is money that is not backed by a physical commodity like gold, but instead backed by the government that issued it. Examples include the U.S. dollar, the British pound, the Indian rupee, and the euro.

Cryptocurrency, also known as virtual currency, is defined as a digital representation of value that functions as a medium of exchange. For some, that definition seems more confusing. But, in general, we are familiar with many forms of exchange. Our ancestors used a variety of different commodities - from salt and animal skins to gold nuggets - as a form of payment.

Cryptocurrency is an alternative form of payment that can be exchanged online for goods and services. You still need legal currency to buy the coins but then you can use them in different areas where they are accepted.

How does cryptocurrency work?

A: Most cryptocurrencies operate using a technology called blockchain. Blockchain is a decentralized technology spread across many computers that manages and records transactions. Digital assets are distributed instead of copied or transferred, creating an irreversible record of an asset. That means everyone can see what's happening, all the time. The main difference is you can't just login to your local bank and get an overview of every transaction that has transpired there since they opened but you can access this information with most cryptocurrencies. Investors value this transparency as it creates trust in the asset.

What is an "Altcoin"?

A: Any cryptocurrency that isn't Bitcoin, is referred to as an altcoin. Altcoins currently account for nearly 60% of the total cryptocurrency market, with more than 12,000 cryptocurrencies and

counting. The basic principles are similar to Bitcoin but there are also variations that distinguish them.

Altcoins have created a market for themselves. Investors are attracted to the hope that their choice is the next best alternative. Some altcoins fall into several categories but here's a few possibilities:

Mining based coins are mined into existence. Most use Proof-of-Work (PoW), whereby systems generate new coins by solving difficult problems, to create blocks. Examples include Litecoin (LTCUSD), Monero (XMRUSD), and Zcash (ZECUSD). There are also pre-mined coins such as Ripple's XRP (XRPUSD). These coins are not produced through an algorithm but are distributed before they are listed in cryptocurrency markets.

Stablecoins peg their value to a basket of goods, such as fiat currencies, precious metals, or other cryptocurrencies. In other words, they are backed by collateral. True to their name, these coins don't usually see big price fluctuations. Examples include USDC and MakerDAO.

Security tokens are digital, liquid contracts for fractions of any asset that already has value, like real estate, a car, or corporate stock. The tokens give you part of an ownership stake and some pay dividends. They are generally offered to investors through initial coin offerings (ICOs).

Meme coins are inspired heavily by social media and are usually a spoof of well-known cryptocurrencies. They typically gain popularity in a short period of time, often hyped online by prominent crypto influencers and retail investors attempting to exploit short-term gains.

Utility tokens are used to provide services within a specific network. In the brick-and-mortar world, it would be similar to buying a Starbucks gift card or a public transportation pass. You can use the token the same as cash but only when buying products or services from the issuer.

I read that cryptocurrency transactions are anonymous so how can that be transparent?

A: The blockchain is public list of every cryptocurrency transaction — both the payment and receipt sides. Depending on the cryptocurrency, the information added to the blockchain can include details like the transaction amount and the sender’s and recipient’s wallet addresses. A wallet address is a long string of numbers and letters linked to your digital wallet. Even though you can use a fake name to register your digital wallet, it’s possible to use transaction and wallet information to identify the people involved in a specific transaction. And when you buy something from a seller who collects other information about you, like a shipping address, that information can be used to identify you later on.

What does ‘decentralized’ mean?

A: Simply put, it means that no single person or group has control—rather, all users collectively retain control. The big difference is delegation of duties. In a centralized environment, the top tier makes the decisions. Examples include the U.S. Military where orders come from the top. A big corporation like Apple or a mom-and-pop shop would normally have an owner or small group shouldering the brunt of the responsibilities. By comparison, decentralized management allows more flexibility for decisions to be made at lower levels. A franchise like Subway, for instance delegates more responsibilities to individual owners or managers.

How does cryptocurrency get value?

A: Not all cryptocurrency is the same so it’s hard to give a catch all answer. For instance, Bitcoin and Ether (ETH; the digital coin of a leading blockchain called Ethereum) increases or decreases in value as a result of supply and demand. The value of any currency form is largely propelled by its scarcity or rarity. For example, if gold was as plentiful as sand, it would hold about the same value. Another component of value is security and whether it can be easily counterfeited. In terms of the stablecoins or security coins, the value also depends on the collateral or the asset it’s tied to. The more ways the cryptocurrency can be can also increase value. More retailers are normalizing cryptocurrency payments, and El Salvador recently became the first country in the world

to make the cryptocurrency Bitcoin legal tender for all payments.

Are cryptocurrency accounts protected by FDIC like other financial institutions?

A: No. Cryptocurrency accounts are not backed by any government therefore, cryptocurrency accounts are not insured like U.S. dollars deposited into a bank account. If you store cryptocurrency with a third-party company, and the company goes out of business or is hacked, the government has no obligation to step in and help get your money back. You may see some companies that claim they are FDIC insured but read those guarantees closely. The FDIC assurance is only for the US dollars you have deposited with them, not for the cryptocurrency.

How does the IRS treat cryptocurrency?

A: Virtual currency is treated as property and general tax principles applicable to property transactions apply to transactions using virtual currency. If you held the virtual currency for one year or less before selling or exchanging the virtual currency, then you will have a short-term capital gain or loss. If you held the virtual currency for more than one year before selling or exchanging it, then you will have a long-term capital gain or loss. The period during which you held the virtual currency (known as the “holding period”) begins on the day after you acquired the virtual currency and ends on the day you sell or exchange the virtual currency. For more information on short-term and long-term capital gains and losses, see Publication 544, Sales and Other Dispositions of Assets.

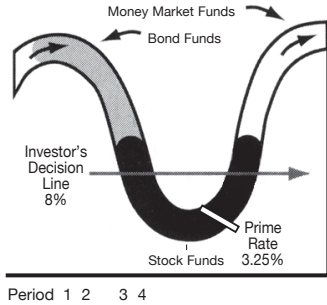
The IRS Form 1040 asks whether at any time during the year, I received, sold, sent, exchanged, or otherwise acquired any financial interest in any virtual currency. During 2020, I purchased virtual currency with real currency and had no other virtual currency transactions during the year. Must I answer yes to the Form 1040 question?

A: No. If your only transactions involving virtual currency were purchases of virtual currency with real currency, you are not required to answer yes to the Form 1040 question.



The Money Movement Strategy

Prime Rate Chart for Money Movement Strategy



Long-Term Direction: Level
Monthly Change: 0.00%

How It Works

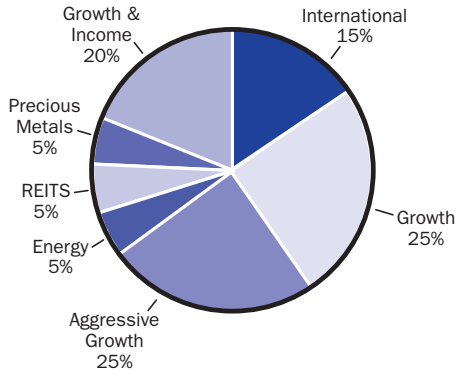
Long-term increases or decreases in the value of stocks, bonds and money market instruments are caused by changes in interest rates, primarily the Prime Rate. Of the three categories of mutual funds — stock, bond, or money market, there is only one type of investment that will give you above-average returns at any given time.

The Money Movement chart represents typical changes of interest rates smoothed out over time. The Investor's Decision Line (IDL) indicates the point at which you should move your money from one type of fund to another. At this time, the IDL indicates stock funds.

Models For Portfolio Management

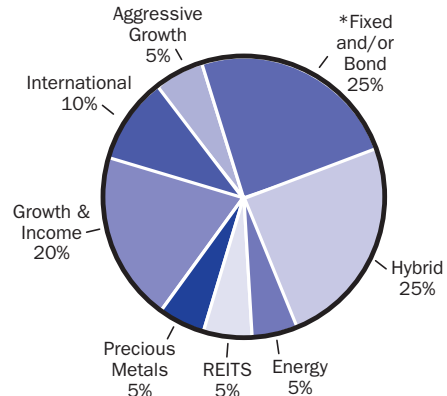
Aggressive

Keep all mutual funds and retirement money in stock funds.



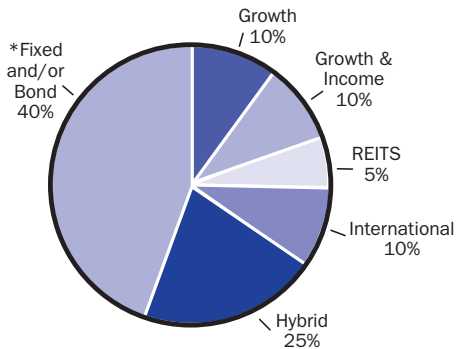
Moderate

Keep most mutual funds and retirement money in stock funds.



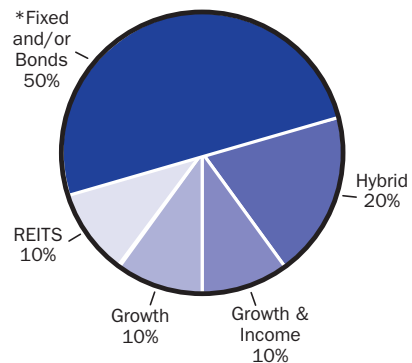
Conservative

Keep most mutual funds and retirement money in stock funds.



Retirees

Note: This portfolio does not follow the Money Movement Strategy! Create the proper mix of Stock, Bond, and money market funds.



*Fixed Market-Linked CDs

No-Load Mutual Funds*

Fund Name/Type	Stock Symbol	Buy, Sell or Hold	3 Month % Change	Average Annual Returns as of to 9/30/21			Expense Ratio
				1 Year % Change	5 Year % Change	10 Year/ % Change	
Aggressive Growth							
BNY Mellon Small Cap Index	DISSX	Buy	-2.95	56.92	13.04	15.23	0.50
Kinetics Paradigm No Load	WWNPX	Buy	-13.53	77.92	18.05	15.89	1.64
Needham Growth	NEEGX	Buy	3.81	46.20	19.35	16.74	1.85
Schwab Hedged Equity Select	SWHEX	Buy	1.35	19.94	4.79	7.21	1.91
Value Line Small Cap Opp	VLEOX	Buy	1.74	35.92	15.70	16.04	1.18
Growth							
American Century Mid Cap	ACMVX	Buy	-0.75	34.01	9.41	13.27	0.98
BNY Mellon MidCap Index	PESPX	Buy	-1.88	43.02	12.42	14.17	0.50
Harbor Mid Cap Growth Inv	HIMGX	Buy	-2.89	20.29	23.20	18.36	0.94
Janus MidCap Value T	JMCVX	Buy	-1.63	31.41	8.35	10.39	0.99
Neuberger Berman Partners Inv	NPRTX	Buy	-0.67	56.58	16.10	15.24	0.85
Selected American Shares	SLASX	Buy	-5.51	37.44	13.31	13.78	0.98
American Century Small Cap Value	ASVIX	Hold	-2.81	70.18	14.15	14.67	1.19
Growth & Income							
American Century Equity	TWEIX	Buy	-0.52	20.80	9.16	11.47	0.92
American Century Large Value	ALVIX	Buy	-0.41	26.18	9.71	12.45	0.83
Fairholme	FAIRX	Hold	-4.38	37.24	9.67	9.74	1.03
Parnassus Equity Income Inv	PRBLX	Buy	0.12	27.94	16.75	16.44	0.84
Janus Contrarian	JSVAX	Buy	-0.66	41.98	18.57	16.11	0.82
T. Rowe Price Equity Income	PRFDX	Buy	-1.01	41.81	11.20	12.45	0.65
Hybrid							
American Century Balanced	TWBIX	Buy	0.05	15.32	9.99	9.98	0.91
James Balanced Golden Rainbow	GLRBX	Buy	-0.03	11.53	3.34	5.25	1.13
Oakmark Equity & Income	OAKBX	Buy	0.39	36.19	10.88	10.31	0.84
Pax Sustainable Individual Inv	PAXWX	Buy	-0.07	19.45	10.78	10.24	0.87
Permanent Portfolio	PRPFX	Buy	-2.64	17.78	8.42	5.47	0.83
Value Line Asset Allocation Inv	VLAAX	Buy	1.38	11.76	12.12	11.81	1.03
International							
American Century Intl Growth	TWIEX	Buy	-0.67	20.44	12.34	10.31	1.18
Artisan International Inv	ARTIX	Buy	-0.30	15.32	9.49	9.78	1.19
Matthews China Investor	MCHFX	Hold	-13.08	4.80	16.04	10.21	1.09
William Blair Intl. Growth	WBIGX	Buy	-0.76	24.88	13.31	10.88	1.45
T. Rowe Price Emerging	PRMSX	Buy	-9.54	10.89	9.08	7.20	1.21
Sector Funds							
American Century Real Estate Inv	REACX	Buy	0.17	29.66	6.74	10.92	1.16
Cohen & Steers Realy Shares	CSRSX	Buy	1.07	33.43	9.43	12.36	0.88
T. Rowe Price Health Sciences	PRHSX	Buy	1.31	26.38	18.11	21.57	0.76
USAA Precious Metals/Minerals	USAGX	Sell	-12.72	-23.68	1.79	-6.00	1.19
US Global Investors Global Res	PSPFX	Hold	-5.18	38.05	5.39	-0.61	2.11
Bond Funds							
American Century Infl-Adj Bond	ACITX	Buy	1.96	5.89	3.91	2.66	0.47
Fidelity Capital & Income	FAGIX	Buy	1.31	20.30	8.94	8.96	0.68
Janus Flexible Bond	JAFIX	Buy	0.30	1.28	3.64	3.72	0.69
Loomis Sayles Bond Retail	LSBRX	Buy	0.11	8.15	3.60	4.69	0.92
Pax High Yield Bond Indv Inv	PAXHX	Buy	0.65	7.44	5.95	5.62	0.96
American Century Sh-Dur Bd fund	APOIX	Buy	1.64	8.61	3.06	1.84	0.57
Western Asset Core Bond	WATFX	Buy	0.16	0.27	3.79	4.06	0.46

* Some funds may be closed to New investors due to demand.

The performance data quoted represents past performance and the principal value and investment return will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Returns shown, unless otherwise indicated, are total returns, with dividends and income reinvested. Past performance is no guarantee of future results.

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Real Estate News



According to the National Association of Realtors, the residential real estate market is cooling a bit compared to the red-hot summer months. This is normal for the time of year but Realtors report sales activity is also down a little from this time last year. Regardless, the median existing-home sales price climbed 13.3% year-over-year to \$352,800, as prices rose in each region. That's 115 straight months of year-over-year increases.

For a breakdown by region, the median price in the Northeast was \$387,200, up 9.2% from one year ago. The median price in the Midwest was \$265,300, a 9.1% increase from September 2020. The median price in the South was \$307,500, a 14.8% rise from one year ago. The median price in the West was \$506,300, up 8.3% from September 2020. Existing condominium and co-op sales were up 4.5% from one year ago. The median existing condo price was \$297,900 in September, an annual increase of 9.3%.

According to Freddie Mac, the average commitment rate for a 30-year, conventional, fixed-rate mortgage was 2.90 in September. That is a slight increase from 2.84% in August but lower than the average commitment rate in 3.11% for all of 2020.

The inventory is edging a little higher but first-time buyers continue to struggle with low inventory, fewer days on the market and investors swooping in with all cash to win out over a buyer who needs to secure a mortgage.

Across the nation, on average, properties typically stayed on the market for only 17 days and sellers averaged more than four offers on their home sale. While buyers are still offering more than list price in most cases, that trend seems to be slowing as well. This could be a sign of the market cooling or it could be that sellers are listing higher to begin with. The problem with offering more than list price is that the home may not appraise for that much. All cash buyers can waive the appraisal but if you need a mortgage, the appraisal contingency is a requirement.

The share of non-primary residence buyers (vacation, investors) decreased to 13% (from 15% in the summer months; but up from 12% one year ago), with the decline due to fewer investors buying rentals (7%), while vacation home buyers held steady at 6% of the market.

More buyers purchased a property in a suburban, small town, rural, or resort area, 85% compared to 83% one year ago). However, only 31% jumped from the city to suburbia compared to 39% one year ago.

Q: I heard there is a new financing rule that will help spur condominium values. Can you tell me more about that?

A: You are probably referring to the new FHA condo rules. The start date of the new guidelines was actually October 15, 2019 but the market is just beginning to see the effects. The changes make it easier for home buyers to use FHA insured loans.

To allow FHA financing, every condominium project must be FHA approved. In the past, that meant, the entire condominium complex had to apply and be approved for FHA financing. Under the new FHA condo rules, instead of needing to get approval for the entire complex, the single unit for sale would follow the same approval process as a detached single family residence when the borrower applies for an FHA loan. Before this new change, only around 6.5% of the condominium projects in the United States were FHA approved.

Q: Is it still worth it for my condo complex to apply for overall approval?

A: Yes. Only around 7% of the condo projects in the United States are FHA approved. If a homebuyer is purchasing a non-FHA approved condo, they would need to pay all cash or at least 20 percent down compared to only 3.5 percent down payment for an FHA approved condo. So having FHA approval upfront could open the door for more potential buyers. One of the main obstacles in the past was that FHA required the complex to have less than 50 percent of the units owned by investors. But under the new rule, some condominium projects can have as much as 75% investor owned. The new guidelines also raise commercial space limits. The maximum total square footage used for commercial purposes increased from 50% to 60%. Also, the re-certification for condominium complexes changed from every two years to every three years.

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Economic Outlook

—By Russ Colbert

In the early part of 2020, when the Covid virus hit us, unemployment in the U.S. was around 3.5%, low-income earners wages were rising faster than wages for high income earners, living standards were on the rise and the economy was doing very well. Then came the lockdowns due to the Covid virus and the robust economy came to a halt. Then GDP had a massive drop the second quarter of 2020 at a -31% annualized rate. Since then, due to the re-opening, Federal Reserve printing money, and a gigantic Treasury debt issuance to fund Covid pandemic loans and benefits, the economy has rebounded. This has included over 800 billion dollars in direct payments to individuals. The damage is reflected in the large number of small businesses that shut down or scaled back due to lockdowns. Many of these businesses will not be able to help in the economic rebound like they would have with prior recessions. Unfortunately, this slowdown in GDP and profit growth is now showing signs of rising inflation that will eventually lift long term interest rates. Tax hikes are still a threat, as are tougher Covid restrictions that limit the service-sector recovery. It is clear that the cost of lockdowns was immense. Locking down the economy threw complicated supply chains into chaos and restarting them is not as easy as many seem to think. Inflation has begun this year as we have all seen prices increase at the grocery stores, gas pumps, and most everywhere we shop. Hopefully as the economy improves, and people get back to work, and the supply chain gets back to normal going forward, inflation will slow. One big positive for the economy is that the Fed is still offering low interest rates and easy money. That is a big plus for this economy.

The next several weeks will be important. It is looking like the infrastructure bill may pass in some form. It remains questionable at this time on how much it will be reduced from the \$3.5 trillion that many of the Democrats want to pass. Several of them, including Joe

Manchin of West Virginia are wanting a reduced version. The odds still favor the Democrats getting something passed. If so, it will pump money into the economy and should be positive for the stock market over the short-term, creating jobs and more stimulus for the economy.

We are remaining positive on the economy currently for several reasons. First, long term interest rates are low and should remain low we believe through next year. Second, corporate profits are high and should remain strong next year, especially if some form of stimulus package is passed. Third, The Fed has a very loose monetary policy that should remain loose even when they start to raise interest rates late this year or into next year. Next year is also an election year.

We are expecting stronger employment reports in the near future. Many unemployed people receiving benefits and payments previously that had exceeded what they earned while working are no longer able to do so. Supply chain problems, vaccine mandates, kids not being back in school means a more volatile economic environment, but easy money from the Fed and less fear of Covid are continuing to boost economic activity. We are expecting improvement in the fourth quarter in GDP and job growth.

If you have any questions or need a portfolio review to keep you on track with your investments or retirement plan, please call me.

Russ Colbert
Senior Portfolio Manager
1-888-878-0001





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