

Personal Finance



Planning for Inflation

Inflation means the prices of general goods and services is going up over time.

This isn't about the price of one or two specific items, such as oil and gas when a hurricane threatens the Gulf, but about an across-the-board general increase.

CAUSES OF INFLATION

Several factors go into inflated prices. Increased demand for goods and services can cause prices to rise, as can increased production costs. Monetary policy, such as economic policies surrounding interest rates and the money supply, can affect inflation. If the money supply grows too large relative to the size of the country's economy, the value of currency goes down, meaning money buys less than it used to.

Expectations of inflation can also cause inflation. If the economy expects higher prices and builds those expectations into wage negotiations and other price adjustments, the price will then actually be higher.

MEASURING INFLATION

Government agencies conduct surveys to track the prices of commonly purchased items over time. In the U.S., this is called the consumer price index, or CPI, and the percentage change in CPI. Core consumer inflation excludes prices set by the



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government and more volatile categories, such as food and energy.

The Federal Reserve, which regulates U.S. monetary policy, seeks to maintain inflation at around 2% over the long run. However, it doesn't just watch the CPI. The Fed tracks personal consumption

expenditures (PCE), which accounts for how Americans are spending their money at a given time and adapts to spending patterns.

PREDICTING INFLATION

Some indicators of rising inflation are a lower unemployment rate, which is linked

to higher wages. The difference in actual and potential gross domestic product (GDP) can indicate whether the economy is operating above or below capacity. Interest rates, exchange rates and commodity prices can also affect inflation.

That's inflation at a

macroeconomic scale. In your own household, you may notice higher energy prices, higher food prices and higher prices for other goods and services you regularly purchase. It is wise to plan for routine price increases along with any inflationary increases by adjusting your family's budget.

What Is the FDIC?

The Federal Deposit Insurance Corporation is an agency of the federal government that insures deposits in banks and savings associations across the United States.

It ensures that depositors will get their money back in case something goes horribly wrong at their bank or credit union, up to \$250,000. It's funded by insurance premiums paid by banks and other savings associations.

HISTORY

The FDIC was created by the Banking Act of 1933 in response to the Great Depression. More than a third of U.S. banks failed in the years before the FDIC and bank runs — where depositors rushed to take out their funds, causing the collapse of the bank and the loss of other depositors' savings — were common. According to the FDIC, since 1933, no depositor has ever lost a penny of FDIC-insured funds. Today, it insures trillions of dollars in American deposits at virtually every bank or savings association in the country.

WHY IS IT NEEDED?

The FDIC insures deposits and examines financial institutions for soundness to increase the public's confidence in

America's banks. The agency works to make large, complex financial institutions resolvable — meaning it will help troubled institutions to solve problems that would ordinarily lead to failure — and manages receiverships. It is legally required to resolve failed institutions using the least costly option to minimize losses to

the Deposit Insurance Fund.

It supervises more than 5,000 banks and savings associations, insuring deposits and managing consumer protection laws, including the Fair Credit Billing Act, the Fair Credit Reporting Act, the Truth in Lending Act and more. It manages compliance with the Community Reinvestment Act,

which requires banks to help meet the credit needs of the communities they were chartered to serve.

MANAGEMENT OF THE FDIC

The FDIC is managed by a five-person board of directors that includes the comptroller of the currency and the

director of the Consumer Financial Protection Bureau. No more than three members of the board can be from the same political party. It is headquartered in Washington, D.C., but has regional and field offices around the country, including in Atlanta, Boston, Chicago, Dallas, Kansas City, New York and San Francisco.



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Your Finances and Divorce

Dissolving a marriage is no easy feat — emotionally, physically and financially.

The couple, who may already have trouble communicating, must figure out a complex division of their finances, including assets and debts, calculating any spousal or child support, and tax implications. Proper management of finances in a divorce can ensure both parties emerge with a sense of stability.

DIVIDING PROPERTY

States have different rules and regulations concerning the division of

property in a divorce. Communal property, or things that were acquired during the marriage, is usually divided equally while property owned by spouses before the marriage are retained by that person. Real estate, vehicles, jewelry and investments acquired during the marriage will need to be divided equally between the separating spouses. This can usually be done in mediation or in court.

The couple will need to provide details of any properties, savings, investments, pensions, loans and debts, as well as any information about income and obligations. Each side is generally able to see the other's financial situation during this process.

Debts are usually divided equally, depending on the state, and, like property, is categorized as marital or separate. In community property states, debts incurred during the marriage are considered jointly owned and equally shared. In equitable distribution states, courts divide debts fairly, which may not necessarily be an equal split. In these states, courts will consider income, the length of the marriage, contributions to the marriage and who the debt benefited in dividing the debt.

SPOUSAL AND CHILD SUPPORT

If one spouse makes significantly more than the other, the judge may order spousal support payments to help

the lower-earning spouse maintain a reasonable standard of living. Child support is determined based on the income of each parent and the needs of the children, including any custodial agreements.

AFTER DIVORCE

The former spouses need to create a budget that allows them each to live within their means on a single income. They will need to maintain their credit scores and review any estate planning or insurance documents for accuracy, particularly as relates to beneficiaries. Each individual will need to review responsibility for bank accounts and update that information accordingly.



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Leasing vs. Buying a Car

The decision on leasing versus buying a car can be complicated and depends on many factors, including your lifestyle, needs, preferences and financial situation.

Here are some pros and cons for each side of acquiring a vehicle.

LEASING

Leasing a car means you pay to use a vehicle for a set period, usually two to four years, without owning it. Instead,

similar to a rental agreement, you make payments. At the end of the lease term, you return the car to the dealership, where you may have the option to purchase it at a predetermined price.

Vehicle leases often come with some catches, such as mileage limits and wear-and-tear regulations. In return, the lessee often pays lower monthly payments and may have lower upfront costs. Leased vehicles are usually covered under the manufacturer's warranty for the entire term of the lease.

If you find yourself buying a new car every few years for the upgrades or latest features or if you like the convenience of a new car but don't drive long distances frequently, a lease may

be the right option for you.

BUYING

When you buy a car, you're likely paying a monthly note and interest rate to finance the purchase. These payments are typically higher than lease payments and may have higher upfront costs in the form of a down payment, but the buyer could be building equity over time. It's an option that makes sense if you typically drive a vehicle for longer than the length of a car loan or if you put a lot of miles each year on the vehicle.

There are some concerns with buying a car, too. Notably, cars depreciate, especially brand-new cars. The buyer will

bear the brunt of the depreciation. Maintenance and repair costs can also be the responsibility of the buyer, particularly after the expiration of factory warranties.

MAKING THE DECISION

Carefully compare lease and financing offers for the cars you're considering. Calculate the total cost of ownership of the vehicle, including insurance and maintenance costs. Carefully review all the costs and terms with each offer. Ask for help from the finance experts at your local dealership or lending institution or use online calculators to determine the best option for your family's needs.

Banks or Credit Unions?

Banks and credit unions offer similar services, such as checking accounts, savings accounts, loans and more. They differ, however, in their structure and general purpose.

BANKS

Banks are for-profit institutions owned by shareholders. The primary objective of all banks is to generate profit for their investors. They're generally open to the public, meaning anyone can open an account so long as they meet the minimum requirements.

Banks usually offer a broad range of products and services — seeing as how they serve the general public — including international banking services and wealth management. They tend to have more extensive branch and ATM networks, and may be a good choice for people who frequently travel and need access to their bank. The trade-off is that they usually have more and higher fees.

CREDIT UNIONS

Credit unions are non-profit organizations owned and operated by their members (account holders). They serve the members' well-being and aren't concerned with generating profits. Any profits can be reinvested to provide better services, lower fees or better

rates for their members. These institutions usually have membership requirements, often related to geographic location, employer, affiliation with a particular group or familial ties to an existing member.

Because these organizations are owned and operated by the account holders, they may

offer higher rates on deposits and lower interest rates on loans. They typically have lower and fewer fees than banks. Where they may fall short is in technologically advanced services and cutting-edge technology, and they usually have fewer physical branches. However, many

credit unions participate in shared banking networks and ATM partnerships for the convenience of their members.

DEPOSIT INSURANCE

Accounts at both banks and credit unions are protected by deposit insurance. Banks usually use the Federal Deposit

Insurance Corporation while credit unions are insured through the National Credit Union Administration and the National Credit Union Share Insurance Fund. Accounts at both institutions are protected up to \$250,000 per depositor, per institution, per ownership category.



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Tax Terms You Should Know

Americans pay taxes at local, state and federal levels, and, usually, people who make more money pay higher taxes.

The system is complicated, however, and comes with its own sometimes confusing jargon. Here are some tax terms to know before filing your next return.

Adjusted gross income (AGI): This is your total gross income excluding some deductions. It is critical in determining eligibility for some tax benefits and deductions.

Audit: An agency review of your tax return or receipts.

Basis: For tax purposes, the initial investment in property.

Capital gains: The profit realized from selling assets or investments such as real estate or stocks.

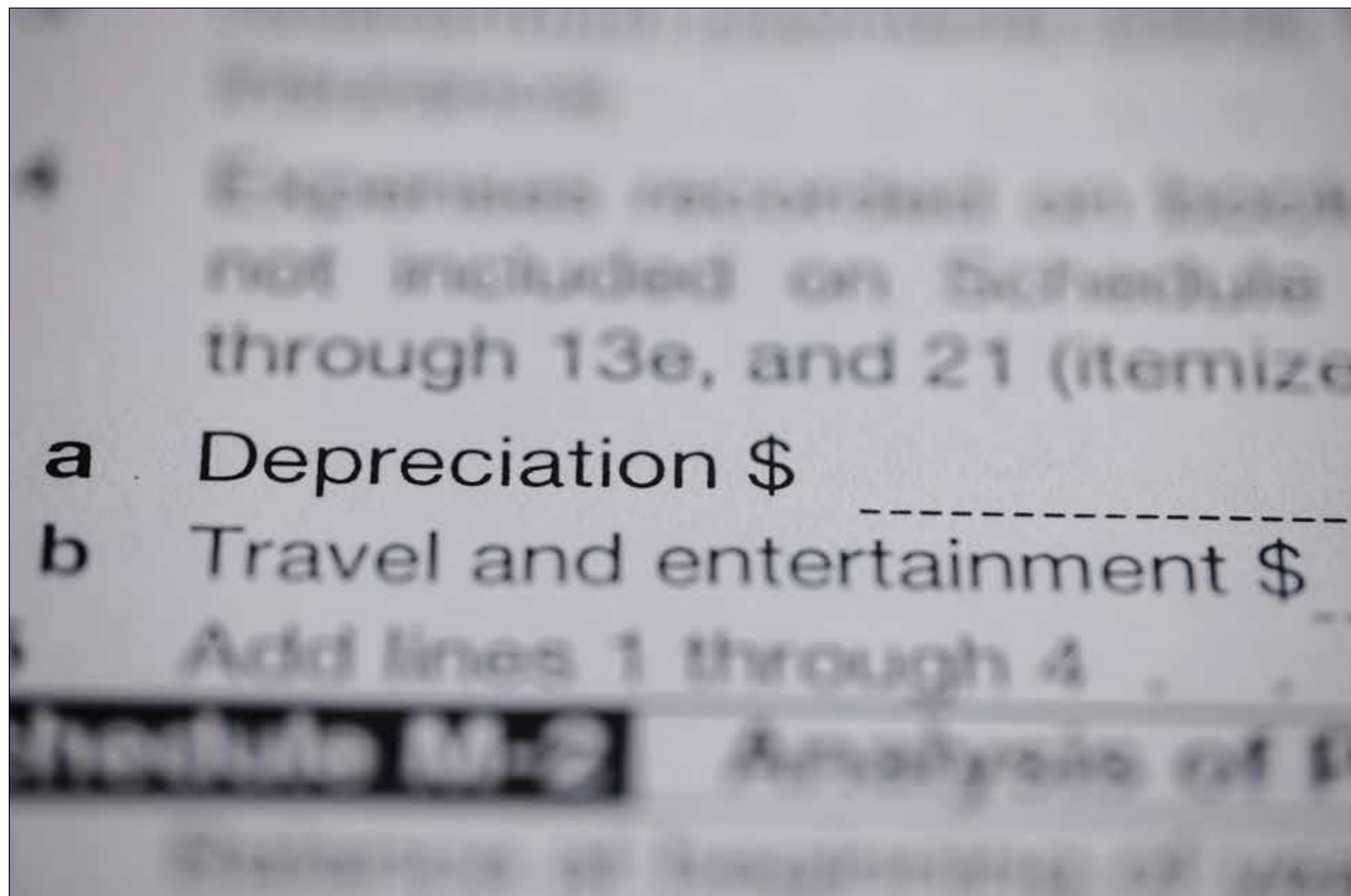
Corporation to corporation (C2C): This is an arrangement where a corporation pays an individual's taxes who is performing work for another company.

Dependent: A qualifying child or relative who entitles a taxpayer to a dependency exemption.

Depreciation: A deduction for the business use of certain items that lose value over time.

Direct tax: A tax paid directly to the government, such as income tax and property tax.

Earned income: The taxable income from employment or self-employment.



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Estate tax: A tax imposed on the transfer of assets in the wake of a person's death.

Exemption: A deduction allowed by law to reduce the amount of taxable income.

FICA tax: FICA taxes include Social Security and Medicare taxes, usually withheld from employees' paychecks.

Filing status: A person's filing status determines their standard deduction and tax rates. Some filing statuses are single, married filing jointly and head of

household.

Head of household: An unmarried payor who is supporting dependents and paying more than half of the household expenses.

Itemized deductions: These are specific eligible expenses that can be deducted in lieu of the standard deduction.

Married filing jointly: A filing status for a married couple filing a single tax return together.

Nontaxable income: Any income that is not subject to tax,

including some welfare benefits, IRA contributions, disaster relief assistance and more.

Payroll taxes: These taxes, which may include Social Security and Medicare, are usually withheld from a person's paycheck.

Refundable tax credits: These are tax credits that can result in a refund even if no tax is owed.

Tax bracket: An income range that determines which tax rate is applied.

Tax liability: The amount of tax owed.

Underpayment penalty: A fee for not paying enough tax throughout the year, either through withholdings or estimated tax payments.

Use tax: A state tax on goods used in the state but purchased elsewhere.

W2: A tax form provided to employees from their employers that shows the wages the employee earned and the taxes withheld.

What to Know about Crypto



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Cryptocurrency, usually shortened to crypto, is a form of digital currency.

It's similar to digital transactions such as PayPal and Venmo, but the difference is that PayPal and Venmo were settled using government currencies such as the U.S. dollar.

Unlike government or fiat currencies, cryptocurrency has no intrinsic value, nor is it tied to a commodity such as gold or silver. Instead, they function independently of a government or central bank, using algorithms to record transactions and determine

supply. The price of cryptocurrency is based on the quality of its underlying technology as well as supply and demand dynamics determined by that technology. Scarcity, in the case of cryptocurrency, can influence value.

Blockchain technology forms the foundation of cryptocurrency. Blockchains are open-sourced databases distributed across a decentralized computer network (the Internet) that forms a permanent record of transactions. Each transaction is a block of data about who owns what at a given time along with the hash, or unique identifier, of the previous block. Together, they form a chain that can't be altered. The blockchain,

cryptocurrency experts say, negates the need for a central authority such as a government or central bank, to confirm the accuracy or clear transaction. Ownership of a cryptocurrency is not an investment in the technology, however.

Cryptocurrencies are bought and sold on a cryptocurrency exchange. They are bought and sold using government currencies, such as the dollar, and stored in a digital wallet. There are also investment products linked to cryptocurrency. The Securities and Exchange Commission approved trading in exchange-traded products (ETPs) that hold spot bitcoin, a form of

cryptocurrency. The buyer of an ETP isn't buying bitcoin; they're buying securities designed to track the price of the underlying cryptocurrency.

Bitcoin is only one example of cryptocurrency. Other popular forms are Ethereum, Tether, Binance Coin, Dogecoin, USD Coin and Solana.

Because the IRS considers cryptocurrency property and not currency, any transactions using cryptocurrency are subject to the capital gains taxes. When you buy something with cryptocurrencies, you're selling a portion of your cryptocurrency holdings and using the proceeds to cover the cost of the purchase.