Money Monday: How to Get Preferential Tax Treatment

Today's Money Monday is the third in the growing wealth series. It is impossible to discuss growing wealth without a conversation about taxes. Because tax conversations are complicated and complex, it is virtually impossible for me to distill all the concepts in a few short paragraphs called Money Monday. To present the magnitude and scope of this endeavor, all you need to know is that the United States Tax Code has some Nine Thousand, Eight Hundred and Thirty -Four Sections (9,834). Today however, I will narrow our article as much as possible, to one section of the tax code known as capital gains and some basic concepts.

Historical Context

The concept and application of capital gains have been around since 1921. From inception, the United States Congress and the Internal Revenue Service decided that some forms of income should receive preferential treatment. This effectively means that some groups or classes of individuals will be treated better than others. While some will argue that capital gains is not discriminatory, a law does not have to be discriminatory on its face to be judged as such. All that needs to happen is that its impact can be discriminatory. In order to receive preferential tax treatment, you need to acquire and own assets in addition to not earning a living or making money from wages or ordinary income. Since a majority of this country's population is comprised of employees, who earn a living through wages the ability to grow or become wealthy is limited to a few individuals. Let's look at a few elements of this tax concept and wealth.

Capital Gains
The IRS will sometimes use terms, words or phrases while providing no

definition. That’s normal, so welcome to capital gains. In order for you to become the beneficiary of a preferential tax treat you must have invested in a capital asset. What’s a capital asset? There is no IRS definition of a capital asset either, but instead, they define what a capital asset is not. For the purpose of basic understanding and building wealth, capital assets would be real property, stocks, bonds and other investment securities.

Next, understand that there are long term capital gains and short term capital gains.

Long term capital gains relate to assets you have purchased and possessed for more than twelve months.

Short term capital gains relate to assets acquired and retained for less than twelve months.

This knowledge is important because these gains are taxed or treated differently which is really the main point in growing wealth. Long term capital gains are either taxed at zero percent (0) , fifteen percent (15%) or twenty (20%).

Short term capital gains are taxed at rates ranging from ten percent (10%) through thirty seven percent (37%).

For example, if this year the only income you earned was $40,000 from the sale of some stocks you purchased more than twelve months ago, your capital gain taxes next year will be zero! If we were to contrast that with an employee, whose gross wages for this year will be $40,000, he or she would be in the twelve percent (12%) income tax bracket! This example clearly demonstrates the preferential treatment provided to certain groups and classes of individuals in society. Generally, If you are an employee, you’re starting off with a tax of at least ten percent (10%) on earned income from your job; and will not be afforded preferential tax treatment under the law.

Final note on this point is that to experience capital gain treatment the transaction must be “realized” by a taxable event. When explaining capital gains or losses you will hear terms like “ Realized and Recognized”. Suffice it to say that a realized taxable event, means the sale or other disposition of the asset. In other words once you sell the stock you have a realized taxable event.

What’s a Capital Asset :

As noted in order to obtain preferential tax treatment in growing wealth, you must invest or acquire a capital asset. But what is defined or listed as a capital asset is not always straightforward. Musical compositions or copyrights in musical works will receive capital gains treatment. Therefore if you are investing in these assets you are safe. However, patents, designs, inventions or what may be considered self created property are excluded from capital gains treatment. There is also the issue of passive income losses. Passive income is money earned from dividends, stocks, rental property and the like. Those losses may not be used against active income for preferential treatment. If you invest in the basic assets you can grow your wealth and receive preferential tax treatment.

Takeaways: In today’s economy it’s pretty easy to acquire, if not an entire capital asset such as a stock, you can acquire a piece or portion of one such as a fractional share. All you have to do then, is to hold on to it for at least twelve months or more and upon sale you will qualify for preferential tax treatment. Don’t let Uncle Sam reduce your wealth!

WHAT’S UP! Today’s What’s Up is about back to school tax breaks. One survey report stated that the average family spent $597 per child on back to school items in 2023. This month begins tax breaks on school supplies. Here is a summary by state:

- Alabama tax holiday is from July 19 through 21, 2024;
- Maryland from August 11 through 17, 2024;
- Virginia tax breaks are from August 2nd through 4th, 2024 and,
- New Jersey tax breaks are from August 24 through September 2nd, 2024.

And that’s what’s up!

Money Monday: Growing Wealth, part two

Flipping Houses May Not Be for Everyone. Find out if You Can Do it.

Today’s Money Monday is the second in the growing wealth series . Last week I opened up the series with building wealth through real estate. However, if you are going to build wealth through real estate it is important to focus on one or two areas initially or become a specialist in those areas if you are going to be successful. One of those areas would be purchasing property, fixing them up, or rehabbing them, and then selling for a profit. In real estate language that is called flipping or flips. Let’s look at fundamentals of building wealth through flips.

Flip Investor Mindset

What type of places should you consider when building your wealth through flips? Generally investors identify hot areas where you can purchase low and there would be instant equity built into those locations. While there is nothing wrong with that approach and those locations, the question is if you are depending on appreciation only to make a profit are you investing or speculating? Investors would not only consider appreciation, but also purchasing a property at a good price, adding targeted intentional strategic value and dispensing with the property for profit.

Flip Investor Factors

If you are pursuing flipping with the correct mindset, then you will have to make certain determinations, such as would you purchase property very far from your current location, or where you reside? Because as a flipper investor, proximity will matter as you will need to frequently engage and visit your property. Travel can play a significant part with your time investment.

Sales activities play an important part in areas where you invest. Most of your sales activities of neighborhoods and locations can be obtained from your realtor MLS system. While the system can provide lots of reports, some of the key data you need to obtain are, the price per square footage, property taxes, days a property remains on the market, and the number of days property sells in the location under consideration for investment.

The age of a property is another significant factor and MLS data point worthy of obtaining. Older houses or locations tend to have lots of built in equity in those neighborhoods. However, they may come with significantly more fixer-upper costs and time delays. In the flipping investment business time is truly money! The sooner you can have the repairs made and the property ready for sale, the greater your profit margin. Here appreciated property verses turnaround time is the key.

Sources of Properties

Everyone in this business is looking for the same thing you are looking for, and that is property to flip. In today’s market and world, some sources are not as valuable as they once were. For example, the real estate classified ads in your local newspaper may not be a significant resource as it once was. Not that you should not look there for opportunity, but that the world of finding property to flip has changed. Perhaps your two most rewarding sources will be networking with others and the MLS from your real estate agent.

Takeaways

Building wealth through flipping can take some time and you have to manage several factors, some of which are entirely out of your control such as obtaining local permits and licenses. It is also time consuming as all serious investments are. Even more than finding money to purchase, repair, and sell, is your time commitment. If you're not serious, this wealth building option is not for you and you should explore another path to wealth.

WHAT'S UP!

Today's What's Up is about new laws in effect from July 1st, 2024. You may not have been paying attention, but did you know that many new state laws take effect on July first? Well if you didn't know, here are a few you need to know about.

In New Jersey there will be an increase in the gas tax; in Minnesota there will be a fifty cent retail delivery fee tax on transactions greater than $100 for retail delivery within the state; in Maryland some tobacco products will increase from 53% to 60%. The advice here is to check with your state to know if any changes in the law will impact your finances and thus impact your budget. And that's what's up!

Ruthven R. Phillip, Esq., is a tax attorney, Stewardship and Philanthropy Ministry Assistant, and CEO of Give2Getrich, LLC. Give2Get Rich, LLC 2024. All Rights Reserved. Any distribution or reproduction of part or all of the contents in any form is prohibited.

Money Monday:

Growing Wealth

Part 1: Why You May Consider Real Estate Investing

Today’s Money Monday is the first in a series called growing wealth. You might be familiar with the names Taylor Swift or Shaq O’Neal from the sports and entertainment worlds; but did you know that they have also earned a significant amount of wealth from investing in or growing their wealth through real estate transactions? Sure!

I know your income or wealth may not be as significant as theirs, but why not consider real estate as a vehicle for wealth building? You have acquired stocks, bonds, Certificate of Deposits, Money Market and retirement plans, but what is your perspective regarding real estate and investing? Let’s take a look.

Choose Your Adventure

Regarding real estate and investing, who do you want to be in relation to this asset or what role do you want to own? Do you want to be the person who wants to find, fix and sell houses for profit? How about becoming a landlord and renting property to create wealth and passive income. Perhaps you dislike interacting with people so you therefore opt for the role of investing in Real Estate Investment Trust (REIT). Finally, would you consider wholesaling property? These and other options are available but you must first decide what strategy you will pursue.

Two Real Estate Realities

Property rentals will never go out of business. Whether that’s Airbnb or other more traditional forms of renting property, people will always need a place to live. Let’s also note that with the climbing cost of education, increasing student loan debt, and the rising cost of affordable homes, fewer people have access to home ownership, and thus the need for rental property.

The second reason I would suggest real estate is for the potential for passive income. There are several financial principles and concepts that if you can learn, understand and implement in your financial journey, your finances can be transformed in significant ways. One such concept to is that of passive income- the ability to earn income while being absent and compound interest. Earning income while you sleep is very powerful in growing wealth.

Three Real Estate Investing Perks

Positive cash flow comes in very handy. Who among us does not want to make extra money? Projecting cash flow from a rental property does not have to be a guessing game, or one in which you lose money. Knowing the historical data and industry average data are important in your analysis when it comes to acquiring investment rental property. You want to acquire rental investment properties that will provide positive cash flow immediately.

Tax benefits from investing in real estate will not make a bad deal good. However, it can make a good deal even better. In case you did not realize this, the United States Tax Code rewards real estate investors. For example your property tax deduction is limited when it comes to your residential property. On the other hand, your full property taxes are deductible on rental property.

And, finally, you already know that real estate generally appreciates. A simple explanation of appreciation is the increase in value of an asset over the original cost or purchase price of that asset. Your real property can appreciate just because prices have increased . Your real property can also appreciate by making capital improvements to the property. Either form of appreciation from real estate will grow your wealth. Post Covid-19, we have seen a steady escalation in real property prices which has translated into significant gains for real estate investors and homeowners.

Takeaways

I am certain many have considered real estate investing as a strategy to increase income and grow wealth, but there are reasons why many have failed. Among the reasons would be not building a solid, personal educational foundation before investing; failing to understand the numbers before purchasing the property. In other words, “the math needs to be mathing”; and finally, understand that risk is a powerful but dangerous tool, so proceed with caution. Despite those challenges, there are many sectors of the business from which you can grow your wealth. You can engage in tax sales, liens on properties or auctions if owning a physical structure does not fit your skill set or meet your risk tolerance level. But if you want to invest financially, considering real estate is still a viable option.

WHAT’S UP!

Today’s What’s Up is about booking flights. According to CheapAir.com the best time to purchase a domestic flight is 42 days before you travel. Typically flight prices change in their life cycle some $98 per rotation. The cheapest day to travel is Wednesday, while the most expensive day to travel is Sunday. And that’s what’s up!

Ruthven R. Phillip, Esq., is a tax attorney, Stewardship and Philanthropy Ministry Assistant, and CEO of Give2Getrich, LLC. Give2Get Rich, LLC 2024.

All Rights Reserved. Any distribution or reproduction of part or all of the contents in any form is prohibited.

Money Monday: Financial Fatal Attraction

Buy Now Pay Later plans (BNPL) is one of the growing financial attractions or addictions taking place today. When you examine the data, it reveals that financially challenged households are more likely to use these programs than those with stronger finances and greater literacy. But what is the attraction, and even the addiction with these plans? Let’s examine it closer.

BNPL Rules

You might be familiar with this common or frequently used expression, “ it is, what it is!” But when it pertained to BNPL plans, while compliant with the Federal Trade Commission Act, they fell through regulation loopholes which disadvantaged consumers. On May 22, 2024 the Consumer Federal Protection Bureau (CFPB) issued rules that essentially state that BNPL plans are nothing more than “ Credit Card” transactions and should be subjected to Regulation Z disputes and refund policies. In other words, consumers of BNPL should be afforded the same protections as credit card users.

This loophole existed because BNPL plans were generally spread over four or fewer payments and no interest was being charged on items purchased in full within the four payment agreement. This action, while significant, is only a small step in the right direction.

BNPL plan rules have varied from provider to provider and therefore consumers have been disadvantaged in the absence of governing structures in place. A recent Bankrate report regarding BNPL plans revealed that 30% of plan users overspent, 18% of consumers experienced difficulties obtaining refunds, 17% of consumers regretted making the purchase and another 17% were dissatisfied with their purchase or experience.

Attraction and Addiction

Instant Gratification! Unlike layaway plans which deny consumers possession of their purchase until the item is paid in full; BNPL plans offer full enjoyment and satisfaction of the purchase instantly.

Perhaps the most significant upside to BNPL plans is that interest rates do not apply if the payments are made on time or within the four payment structures agreed upon. Along with no interest is the promise that these transactions will not appear on consumers' reports and impact their credit. The addiction is incentivized when you consider the fact that BNPL providers such as Klarna and Afterpay currently have no plans to report delinquent plan customers to debt collectors which could significantly impact a person's credit.

BNPL Reality

According to the CFPB, BNPL plans are disproportionately affecting African American households. The CFPB reports indicate that 63% of African American households are more likely to use the BNPL plans than those of their white counterparts.

In a 2023 Survey of Consumer Expectations Credit Access Survey, conducted by the Federal Reserve Bank of New York, it was noted that 89% of financially unstable households (households with low credit scores) used BNPL plans multiple times. Individuals with good or stable credit who participated in BNPL plans average purchases were less and did not engage in multiple purchases.

BNPL plans provide a false sense of reality. Because these transactions are not reported to credit reporting agencies, lenders do not actually know a person's true debt and therefore provide credit to over extended individuals. The results are increased bankruptcy filings, debt collection, poor credit and limited financial options.

The party may be coming to an end as Apple Inc. BNPL plans now show payments made on your Experian credit report although not yet being factored into your credit score calculation. However, credit reporting agency Experian, has stated that BNPL plans will be factored into your credit score in the future as new credit scoring models are developed. The most effective way to improve your finances is to build your credit using a credit card, pay your bills on time and and keep your credit limit to 20% or less.

WHAT'S UP!

Today's What's Up is about getting ready for the Federal Reserve (Feds). At the beginning of the year the prediction was that the Feds were going to cut interest rates several times this year and the market would take off. Well that has not happened. So here are two things you can do as you get ready so that when they cut interest rates, you will be in a position to take advantage of the economy.

Improving your credit score to the highest it can be will position you for the best deals when the Feds begin lowering interest rates. According to a Bankrate survey in March, credit scores of 670 and below, were rejected the most.

Finally, stay in contact with your creditors. Many people only seek assistance from their creditors when they are in trouble. Given that credit card companies have discretion when and how much to increase your credit card rate, it is therefore to your advantage to communicate with lenders when interest rates are high, so that when the Feds begging to lower rates, you are in position to get the best deals. And that’s what’s up!

Ruthven R. Phillip, Esq., is a tax attorney, Stewardship and Philanthropy Ministry Assistant, and CEO of Give2Getrich, LLC. *Give2Get Rich, LLC 2024. All Rights Reserved. Any distribution or reproduction of part or all of the contents in any form is prohibited.*

Money Monday: Another Way to Fund Your Purchase

In professional athletics you often hear of players who are in their final year or season of an expiring contract with a team in which discussions for a new contract has not materialized, making a statement that they are going to “bet on themselves.” By that, they mean that they will take the risk of playing without any agreement, or guarantee, and with the risk of injury during the season, instead of holding out for a new contract.

Last time we discussed potential sources of funding when you need to purchase assets and some of the consequences associated with those sources. However, we did not mention a very important option which is the subject of today’s Money Monday: borrowing from your retirement, to fund your asset purchases or investments.

Borrowing from your retirement is not the place you first consider when thinking about needing money, let’s say to purchase your next vehicle or another asset. But conceptually how it works and the benefits seem to make sense and could yield you favorable results.

For example borrowing from your retirement is comparable to borrowing from your credit union or bank with regards to terms and conditions, with a few exceptions. One thing that is curious to me is that despite the similarities in concept of borrowing, psychologically, people are more comfortable borrowing from an outside institution than borrowing from or betting on themselves.

The Upside

The interest rate in borrowing from your 401 (k) retirement plan may be cheaper than that from your bank, credit union or other funding sources. Therefore, why would an individual with less than an ideal credit, pay interest rates ranging from 11% to 14% for a new vehicle and 18% to 21% for a used vehicle? And, that’s not to mention the real issue of what will be paid in Annual Percentage Rate (APR).

Another positive of exercising this option to fund your asset is that the interest paid on the retirement loan is accruing to your benefit, to your retirement account. If your retirement account is earning 6% or more from the loan, would you rather not pay yourself, than have to pay someone else?

The other related assumption is that the market will continue to provide a better return on your retirement account than what you will be repaying in interest. Furthermore, you benefit from not having to pay origination and other loan fees associated with borrowing from banks and other institutions. These transactions are quite flexible and could be much easier to execute in a matter of days rather than weeks.

There is also the comfort knowing that early repayment of the loan will not result in any penalty. Perhaps the best news on this point is that missed or late repayments will not impact your credit score and most traditional loans would.

The Downside

Just as athletes may take risks associated with “ betting on yourself,” it’s no different when it comes to borrowing from your retirement account to fund your assets. You will have to find out from your 401(k) plan sponsor whether or not you are eligible to borrow from your account.

First you should know some of the rules from our favorite government agency and most quoted letters of the alphabet- IRS (Internal Revenue Service). Plan sponsors are not required to include loan provisions in their plan, which is why you need to consult with them for information regarding eligibility. Also, IRAs (Individual Retirement Account), and plans like those, are not allowed to provide loans. Loans from your IRA or IRA-based plans would be considered prohibited transactions according to the IRS.

Assuming you are eligible, IRS rules, when translated into English, state that the most you can borrow is $50,000, or half of the amount in your vested account, whichever number is lower. An example would be if your vested retirement account balance is $90,000, you will only be allowed to withdraw $45,000, which is less than the maximum amount of $50,000. These amounts were increased during Covid-19.

But there’s more! According to the rules, except for borrowing money to purchase a home, the law requires the loan to be repaid within five years. It also requires payments to be made at least quarterly.

The other major concern is that default on loans or loans which do not meet the legal requirement are “deemed distributions,” meaning they are considered no different than you withdrawing money early from your retirement account and will result in you having to pay the early distribution penalty of 10% along with your income tax bracket payment rate. It might be instructive to know how IRC (Internal Revenue Code) Section 72 (p) works before taking the leap!

If you’ve had enough IRS lingo, here are a few other potential down sides. Some plans prohibit accepting contributions while your loan remains outstanding. This is big deal because it means that you will not only be unable to make contributions, but you will not be receiving the match from your employer during this period.

Takeaways

While borrowing from your retirement is a great idea and option, you really need to think through all the factors. Is this going to be a short term or long term borrowed amount? How far are you from retirement? Some retirement plans require your spouse to sign a written consent before the participants can withdraw amounts over $5,000. Can your marriage survive these financial decisions?

WHAT’S UP!
Today’s What’s Up is about the great wealth transfer. According to investment

advisor Edward Jones Company, only 27% of Americans have discussed passing down their assets to their families, while 48% plan to leave an inheritance. These numbers are even lower when it comes to communication on passing on assets in the African American community. This is true in part because some believe they have nothing to pass onto the next generation.

A Cerulli Association research study found that by 2045 the baby boomers and silent generation are expected to leave an estimated 72.6 trillion to their heirs. The subject is not taboo. Start having those conversation now with your family. And that's what's up!

Ruthven R. Phillip, Esq., is a tax attorney, Stewardship and Philanthropy Ministry Assistant, and CEO of Give2Getrich, LLC. Give2Get Rich, LLC 2024. All Rights Reserved. Any distribution or reproduction of part or all of the contents in any form is

---

Money Monday: Finding Funding Fun

When you have to make a financial decision about purchasing or acquiring some asset, the question is always how are we going to pay for the item or how will it be funded? For most people the options are limited to the usual suspects such as their bank, credit union or unknown third party lender. But how do you know who to use and which is best? Finding the money to purchase your asset really depends on what you are buying. For example, you can find money from all three aforementioned options to purchase a vehicle, but where you should begin and who offers the best option depends of what you need.

Can You Bank on It?

Banks can be classified into at least two categories such as big banks and community banks.When looking for money to purchase an asset, you should know that community banks offer more personalized services. Also, they are known and managed by those who live in the community. I can personally appreciate a community bank because they consider more than credit scores and data in making loans. Banking officials at community banks may consider your discretionary spending and family history in determining whether or not to provide loans. Traditional, or big banks, examine data and make lending decisions primarily on the numbers. Therefore, if you are seeking to obtain a mortgage or line of credit for home repairs, would you not want to pursue a local or community bank option first instead of a traditional bank?

Banks can also be divided into the traditional brick and mortar ones verses online banks. If you need to earn money from your savings then traditional banks are no longer the way forward. Online banks now lead in the payment of higher interest rates on your savings. One study found that traditional banks are not paying higher interest rates because consumers do not pay attention to savings accounts after opening them with regards to earnings. In other words, why should traditional banks pay higher interest on savings when customers do not seem to care? The study also found that because big banks offer more benefits or services than smaller banks, consumers are willing to settle for lower interest rates on their savings in exchange for those benefits.

Give Some Credit to Credit Unions

At first glance it would appear that banks and credit unions provide the same service, so that it doesn’t make a difference which you choose. However, if you consider the fundamental organizational and operational structure of each it may provide guidance on your financial decisions.

Fundamental point one is that banks are in business to make a profit, and are for-profit institutions. However, credit unions are nonprofit institutions.What that means for you is that a credit union is not focused on generating profits for its shareholders as banks are. Instead profits from a credit union are placed back into the organization for the benefit of its members. Consequently, a credit union can provide lower interest rates when you are seeing financing for a vehicle loan. It can also explain why credit union fees would be less than banks and other lending institutions. Credit unions are run by boards composed of community members and are concerned with serving its mission and members. Banks, on the other hand, care about profits! I would add that credit unions are less likely to collapse than banks in general. Banks, because of their profit-driven goals, take greater risk than credit unions when it comes to making financial decisions. So if you are looking for money to finance a project or purchase an asset, credit union options are a great source for what you need.

Alternative Money

Alternative money, or money from a third party, even non-traditional source is generally always available for whatever your monetary needs may be.

However, the main issues of concern are the cost of the money and ownership of the asset. Many people focus on the interest rate they are paying when financing a car note for example. While knowing and being concerned about interest rates is important, I would suggest that knowing the cost of the money you are borrowing is equally, if not more, important. What I mean is the relationship and difference between the interest rate you are going to pay and the Annual Percentage Rate(APR). Because consumers with poor or low credit are denied obtaining money from traditional sources, they are faced with higher APR's when trying to find money to acquire assets. Is there money out there for what you need?

Absolutely! The key is identifying the best source based upon your need and not think that one source can work best for you simply because you have a relationship with them and it's convenient.

Alternative sources of acquiring money for what you need play a significant and devastating role in the black community. Why? According to a Federal Deposit Insurance Corporation (FDIC) report issued in 2023, 40% of black people in America are either unbanked or underbanked. Unbanked means that they do not have a bank account. However, being under-banked means that some have a bank account, but rely on payday loans, check cashing institutions and others to fund their asset acquisition.

Simply put, more than one-third of black Americans are locked out and excluded from the system. This one-third of black people in the U.S. have no other option but to pay higher interest rates to purchase assets.

From my perspective there are potentially three ways address this problem. The first has to be through financial literacy. The next way to address this gap is to encourage a banking relationship with minority-owned or black-owned banks. These institutions provide more flexibility, are community oriented, and designed to address the dispositions of those locked out of the system. Finally, I see this as an opportunity where faith-based organizations and structures could develop institutions and systems to aid the least, the lost and the left behind.

WHAT'S UP!

Today's What's Up is about ending a banking relationship . If you are thinking about leaving your bank for another one, what are some process considerations? You should open the account at the new bank before closing the old account; you should ensure that all automatic deposit and payments have cleared the old account before closing it, and you should contact and connect with all your service providers like streaming services and provide them with the new information and allowing for a 30-45 days translation period before closing accounts. And that's what's up!

Ruthven R. Phillip, Esq., is a tax attorney, Stewardship and Philanthropy Ministry Assistant, and CEO of Give2Getrich, LLC. Give2Get Rich, LLC 2024. All Rights Reserved. Any distribution or reproduction of part or all of the contents in any form is prohibited.

Money Monday: Your Credit Report Dispute Strategy

Checking your credit annually or even every six months has been the standard advice given to consumers over the years. But based upon the latest trends and data information from the credit reporting agencies, there may be good reasons to be more vigilant in monitoring your credit report.

Credit Reporting Problem

According to the Federal Trade Commission (FTC) credit report complaints have increased more than four times from the years 2019 through 2023. The data indicates that complaints went from 165,000 to 711,802. In February, *Consumer Reports* cited the fact that credit report disputes have increased at least 2.5 times in the past two years.

Credit Reports Freely Available

One could easily point to the fact that prior to Covid-19, credit reporting agencies were mandated to provide only one free annual credit report. However, during Covid -19 and the succeeding years, credit reporting agencies made credit reports available weekly and therefore more consumers got engaged in checking their own credit report. Plausible, but it is a secondary reason for increased credit report complaints. The primary reason for increased credit report complaints is the significant increase in identity theft from 2020 through 2023. In a world that has become more financially digital since the arrival of Covid-19, more of our financial information and transactions are exposed, at risk and less secure.

Another reason for increased credit report disputes is that attempts to get the credit reporting companies to correct disputes many times results in the companies suggesting that you address your concerns to the source which could be the credit card companies, mortgage companies or debt collection companies. The response would make sense because the origination of the credit issue is the credit card company or some other financial company. However, the credit reporting agencies changed their policies and made it easier to dismiss your complaints and disputes. In other words, while they increased the number of free annual credit reports you could receive during and post Covid-19, they also changed the rules of the game to make it easier to dismiss your complaints and disputes. Consequently, credit report errors, disputes and complaints have increased and remain on your report.

Lastly, credit repair companies, many of whom advertise via social media, now claim to be able to solve credit report disputes and clean up errors. But they don’t really do so! The credit reporting agencies are not required to investigate irrelevant or frivolous disputes. More importantly, they generally ignore third party disputes. In fact, if you use some generic letter to dispute a matter, or your disputed letter resembles that of a third party submission, your letter can be easily ignored. For example in 2020, the Consumer Financial Protection Bureau (CFPB) found that in just one month, almost half of the complaints or disputes filed were dismissed because letters were generic from some template, or they resembled that of a third party submission. I would venture to speculate that dismissals could increase with the introduction of Artificial Intelligence.

How Best to Wage Your Dispute

1. Get a copy of your credit report from Annual Credit Report.Com. That’s the only website guaranteed by law, to provide copies of your credit report from all three agencies. Know that the dispute process is only intended to rectify only inaccurate, or incomplete information.

2. Determine the source of your credit report error. Is it the credit card company or is it the reporting agency? If the source is the credit card company, reach out to them directly first. Maybe that problem can be solved with them. If that fails, go to the credit reporting agency. Now, if the problem is that of identity theft, start with the credit reporting agency.

3. Submit your dispute by citing the exact language on your credit report, at the disclaimer dispute near the end of your credit report. While sending an email is faster, it may not allow you the space and opportunity to give the agency all the necessary details you may have to prove your matter. Therefore it is best to mail it certified mail, through FedEx, or UPS.

4. Present your dispute in your own words and not some template or boilerplate language to increase your chances of success.

5. Provide a copy of this letter to both your source (the credit card company, or bank, or mortgage company), and the credit reporting agencies.

WHAT'S UP!

Today's What's Up is about saving for your holiday shopping. It's never too early to begin your holiday shopping plans since we are almost at the halfway point of the year. You can operate a separate account, and have a small portion of your salary directed there for holiday savings. Start a holiday saving club with some of your friends or family members. Finally, join or start a sou-sou/ Su-Su with trusted individuals. Ideally, the smaller the amount of weekly or monthly contributions, the longer time period for a substantial saving. And that's what's up!

Money Monday: Are You Rich and Don't Know It?

As the statement goes, one man's trash is another man's treasure. While the majority may focus on their finances and assets that come through jobs, business, retirement and real estate, there are other forms of building wealth and managing your assets we sometimes never consider and that is the world of collectibles. What are some collectible items you may have and what might it be worth?

Money

Perhaps you have some old pennies, coins, or dollar bills you have been keeping for a while or have been passed down to you in your family from prior generations. These may be of value and worth quite a bit, but you will never know unless you have them graded. Although I must hasten to say just because your stuff is old and has been passed down from generations, or you have had it for a long time does not mean that it has value.

For coins, the grading process involves something called slabbing. This will typically involve preserving the items in a special plastic case. While there are several factors used to determine the value of coins, the two most significant factors seem to be how rare the coins or bills are, and how much has they have been circulated.

If you have some currency and want to know it's worth or value you could go to the Professional Coin Grading Services listing guide which could guide you through the process or offer suggestions. If it turns out that you have an asset of value and want to sell it, there are professional options available such as coin shows and auctions.

Dishes

Dishes? I am using the term *dishes* intentionally, so that you make a distinction between dishes and fine china. I'm really talking about valuing fine china in your possession. There are many factors to consider in valuing and selling your fine china. These include the condition, and maker of the product.

For example on eBay, a Pyrex collection from the 1950's sold for $1,300, based upon the valuating factors determined. What is important to note about fine china is that as a collectible there are often pieces missing from a set and thus you may not consider it valuable. But as it turns out, individual pieces may still be of great value because there are people who are looking for individual pieces to complete their own sets of fine china. Therefore, if pieces are missing from your fine china set, not to worry because it may still have tremendous value individually.

Books

Before you start throwing away any books and documents, pay attention to their content, and not just condition. While the condition of the book is the single most important factor in the value, there may be exceptions to that rule for your particular possession. Is it possible that the aged tomes you may have content of "discovery" value? What's the discovery value? Discovery value comes from the content of the book, and it could possibly change our understanding of history. So even if the condition of the book may not be great, the content can change its appraised value. Another exception to the condition rule seems to be the Bible. A Gutenberg Bible could be quite valuable even though it is in poor condition.

Valuing books can be a very costly process, as much as $2,500, since you will need to retain the services of an appraiser with expertise in rare books, archives and manuscripts. In seeking out an appraiser of your books, it would be important that he or she follow the Uniform Standard of Professional Appraisal Practice.

Takeaways

I decided to write on this particular subject in terms of our finances because during COVID, and even now, we have lost many loved friends and family members. If you're like me you could find yourself responsible for someone's estate or the recipient of some of their assets. If you are involved in any way, are you just going to donate or throw away their items without first giving consideration to their value? There are several other collectibles not mentioned such as jewelry, cars and art. Whatever they are, your trash may be someone else's treasure.

WHAT'S UP!

Today's What's Up is about travel fees. Several airlines have decided to increase their baggage fees by $5.00. Some airlines have added a twist that could mean you pay *more* than that $5 increase! One example is United Airlines. Their baggage fees are now $35 for the first checked baggage item. However, if you fail to pay for your first checked baggage at least 24 hours prior to departure, the baggage fee is $40. These fees are applicable to domestic flights and the airlines include Alaska, American, Delta and JetBlue. And that's what's up!

Ruthven R. Phillip, Esq., is a tax attorney, Stewardship and Philanthropy Ministry Assistant, and CEO of Give2Getrich, LLC. *Give2Get Rich, LLC 2024. All Rights Reserved. Any distribution or reproduction of part or all of the contents in any form is prohibited.*

Money Monday: Inflationary Times and Terms

Today's Money Monday shines a light on a term which has found common place in our financial vernacular over the past three years and that word is inflation . On April 26, 2024 the Bureau of Labour and Statistics reported that the current rate of inflation is 3.5% and that inflation increased by 0.4 % from a month ago. But most of the attention is given to the impact of inflation on our daily living consumer expenses and not enough on the rest of our finances. But what does inflation mean and how should we make sense of this monthly news information or reports from the government, since all we know is that prices we are paying for items are increasing weekly?

What’s Inflation?

I’m from the school of keeping it simple and therefore I would suggest to you that inflation is nothing more than the rate of increase in prices over a period of time. In short it is the increase in the cost you may pay for the same item in the grocery store each month. What is not explained is that we have always, for the most part, lived with inflation.

The Federal Reserve and others have always acknowledged that a certain percent of inflation is good for us. That number seems to be around two Percent (2%). However, when prices rise or inflation is above that benchmark, we start taking notice because that’s when investors and financial heads start taking action.

What do I mean by pay attention? Here’s what I mean. There are certain stocks or investments that historically perform well during higher inflationary times. These include residential real estate, which you own directly and is not in a real estate trust. Also energy stocks, trusts and Treasury inflation-protected securities, also do well.

Note, in this discussion of inflation, that inflation is only part of the “ flation” story. There are other types of “flation” that impact your money.

Disinflation

Disinflation occurs when the rate in the increase of inflation slows. Said differently, when prices are still increasing, but now at a much slower pace, that’s disinflation. You can probably define our current state of the economy in this way since prices are not increasing rapidly. When inflation turns into disinflation but not deflation or “no flation”, it means that commodities that have traditionally done poorly during those periods in the past will probably do so again and therefore, you might consider other options in your investing. It has been shown from the past that during disinflation, purchasing stocks in growth-oriented companies generally get rewarded. For example, the growth oriented Nasdaq Composite index, a group of stocks that focus on, or are comprised of more technology stocks or are in the technology sector, performed better than the S&P 500 (Standard & Poor).

So, looking at your investments or where to put your money during this change with inflation is worthy of consideration.

No Flation

This is described as a place where inflation is around two percent (2%) annually. We are not there yet but if the Federal reserve could manage to figure out the right combination, then the financial world would be perfect. During these times, most investments and markets provide a good rate of returns. For example if you consider the years 2013 through 2019, the S& P index gained an annual rate of return on investments of 13%. Let's see if you will return to those glory days again.

Takeaways

- You should know that when you hear "inflation" it means more than your grocery bill, gas prices and rent or mortgages are increasing.
- Also, as the monthly rate of inflation increases or decreases, you should check in on where your 401 (k) or 403 (b) retirement fund investments stand in relation to these changes.
- Finally, inflation is just one part of " flation" which includes disinflation, deflation, stagflation and no-flation.

WHAT'S UP!

Today's What's Up is about getting as financial mentor or coach. If you are looking for a financial coach or mentor here are three questions I need you to ask yourself.

1. What's my level of accountability? Most of us want information and advice, but struggle with being held accountable .
2. Secondly, which teaching style fits you best? There are some people who are very knowledgeable but cannot communicate . How you learn and what works best for you is a critical element in this process.
3. Finally, determine what character traits or values are you looking for in a coach. Assuming you have figured out at least those questions, then you can begin to move forward in becoming a better steward if your resources. And that's what's up!

Money Monday:

Enhance Your Financial Compatibility

Last week we began our April celebration of financial literacy month by shining a light on signs of someone who is financially literate. This week the question relates to financial literacy and relationships.

A recent CNBC survey revealed that more than 64% of couples are financially incompatible. Therefore, whether you are dating, newly wedded, married for a long time or just shacking up; there's a good chance that financially you might be in an unhealthy relationship. Most couples would talk more about sex than money. So let's consider three ways to you and your partner can address the situation.

Attitude: When it comes to money what is your attitude in communicating with your significant other? Are you coming to the table with a boss attitude because your income is more than that of your spouse? I would suggest you don't just jump into the numbers, but seek to understand your partner's journey of how he or she arrived at their destination. Too often we jump right into the numbers without understanding the story, experiences or humanity behind the numbers. After you have discussed your financial journey with your partner, you can jump into the expenses, debts and savings conversations. Later, you can discuss priorities and work on a joint plan.

Watch Your Language: For years now you have heard terms such as " spender" or "cheapskate" and many others. I would suggest to you because money and finance is such a sensitive topic, avoid labels and divisive terms when discussing money with your partner. If you label someone a " cheapskate" it means that you are already coming to the conversation with a bias or prejudice and not with an open mind or heart. This is not to say that you should water down the facts and not identify irresponsible behaviors. But name calling will not help your financial relationship to blossom and achieve your goals together.

Rules: Part of the challenge with being financially compatible is understanding and setting some rules. Talking finances with your significant other should not occur only when there is a crisis. You should establish a regular monthly cadence. In other words, make talking about money a habit and not irregular or at inconsistent times. Not only should you have a set time, but there should be some communication rules. Like don't interrupt the other person when they are communicating their point of view. If it helps set a time or have a timer for each person to speak. You can also bring a pad and take notes or take notes on your device. That way things are shared and no one leaves feeling misunderstood, with a lack of clarity concerning task assignments and next steps.

WHAT'S UP!

Today's What's Up is about managing or cutting your food costs. One way to reduce your food bill is by using coupons. But what you might consider is using digital coupons over traditional paper coupons. Two advantages of using digital coupons are they are connected or integrated with rewards programs enabling you to earn points immediately. The second benefit is that they allow you you to receive or benefit from manufacturer's changes in real time. Start using more digital coupons and take advantage of those benefits! And that's what's up!

Ruthven R. Phillip, Esq., is a tax attorney, Stewardship and Philanthropy Ministry Assistant, and CEO of Give2Getrich, LLC. *Give2Get Rich, LLC 2024. All Rights Reserved. Any distribution or reproduction of part or all of the contents in any form is prohibited.*