LET'S TALK MONEY®
September/October 2023

Understand the New Rules for Third-Party Payments

Being self-employed has its perks, but it also has its challenges. If you work from home or have a side business, you are responsible for keeping accurate records and paying your fair share of income taxes. The IRS wants to make sure of that, too, and Form 1099-K helps the IRS — and you — do just that.

What It Does

Form 1099-K provides a record of the amount that third-party payment networks transferred to you during the tax year. Prior to 2023, if you received payments from payment card transactions (including credit cards, debit cards or stored-value/gift cards) and/or in settlement of third-party payment network transactions (e.g., PayPal, Venmo, Zelle), the threshold for receiving a 1099-K was gross payments exceeding $20,000 and more than 200 transactions.

What's Changed?

Starting in 2023, the dollar threshold for reporting transactions from third-party payment networks dropped to $600, with no transaction threshold. Each payment settlement entity from which you received income will send you a 1099-K for any transaction in which a payment card — or an account number associated with a payment card — is accepted as payment, or for any transaction settled through a third-party payment network, once the total exceeds the $600 threshold.

Keeping Track

The purpose of sending out a 1099-K is to ensure business owners report their business income. The $600 threshold is an aggregate of all the money sent to your

business through third-party networks. The amount doesn't have to come from one third-party network transaction. Several smaller transactions that add up to $600 will result in your business receiving a 1099-K.

Help with Your Tax Return

A 1099-K can help you calculate the amount of business income you received during the year. Receiving the form doesn't necessarily mean you will owe taxes on that money, since tax deductions may offset some of your business income. However, it's important to keep accurate records of all forms of payment received, including cash and checks, so that you don't underreport your business income or overpay your income taxes.

A change in your business structure could affect the information on the 1099-K form, so verify that everything is correct.

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I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

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PROOF

Should You Consolidate Debt?

Debt consolidation offers a way to combine some or all your debts into a single payment, often at a lower interest rate. If you have substantial debt that carries high interest rates, a debt consolidation loan may lower your payments and allow you to pay off your debt more quickly.

Which Debts Should You Consolidate?

Begin with any unsecured debt that you have. Unsecured debt is any debt that isn't backed by an asset, such as your home or car. Paying off credit card balances that carry high interest rates is frequently the reason people seek debt consolidation loans, but consolidation may also benefit those with medical debt or cash advance (i.e., Payday) loans, which typically have high interest rates.

Favorable Terms

A debt consolidation loan allows you to pay off multiple creditors and make a single payment each month to one lender. Unlike credit cards, consolidation loans have a clear timeline for paying off the debt. The monthly payment may be lower than the combined payments you are currently making.

Benefits of Consolidation

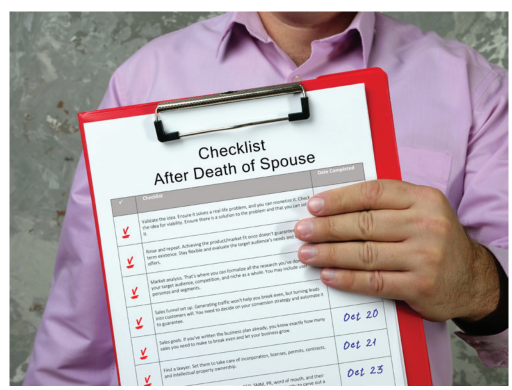
Having a single payment each month can simplify your finances and make them more manageable. By not having to keep track of multiple debts, you're less likely to miss payments that incur late fees and reduce your credit score.

First Steps

Before you apply for a debt consolidation loan, make sure you aren't behind on any payments. It's also a good idea to check your credit score to see where you stand.

A Checklist for Loved Ones

The death of someone close to you brings with it many important tasks that must be completed, despite your grief and confusion. The following checklist can help you prioritize.



- Locate the will and other estate planning documents.
- Request several copies of the death certificate from the funeral home director. They'll be required as proof of death in a variety of situations.
- Notify financial institutions, creditors, Social Security Administration, and the three credit bureaus.
- If appropriate, contact pension plans or annuity providers to find out if a spouse is entitled to benefits. If the deceased was a veteran, also contact the Department of Veterans Affairs.
- Retitle assets, such as property and joint accounts.
- Notify the deceased's insurance companies and file claim(s) for life insurance proceeds. The National Association of Insurance Companies maintains a database to help with locating a policy.
- Remove social media accounts if you have access.
- If you're the spouse, update your own estate planning documents, including beneficiaries on retirement accounts and life insurance policies.
- Set up a meeting with your financial professional, estate attorney and tax advisor.

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Claiming the Lifetime Learning Credit

Higher education costs have skyrocketed over the years, so who wouldn't appreciate a little help paying for them? The Lifetime Learning Credit is a nonrefundable tax credit that can offset the cost of tuition and related expenses at eligible institutions.

Who Can Claim the Credit?

The credit can be claimed for you, your spouse or any other eligible dependent listed on your tax return. The person must have qualified education expenses at an eligible institution and be taking undergraduate, graduate or professional degree courses or courses to obtain or improve job skills. You or your dependent must be enrolled for at least one academic period that begins in the tax year for which you're claiming the credit. You don't have to be pursuing a degree. The credit is also available for postsecondary continuing education and professional development certificate programs.

Eligible Institutions and Expenses

Eligible institutions include public and private colleges and universities, vocational schools, and other postsecondary institutions. The credit can be claimed for tuition and fees and required expenses, such as equipment and supplies. The credit cannot be used for living expenses, including room and board, insurance, medical costs, transportation, or special services. Generally, it also cannot be used to purchase books from a school bookstore.

What Is It Worth?

The Lifetime Learning Credit is worth 20% of the first $10,000 of qualified expenses, for a maximum of $2,000. The credit is per tax return, not per person. Income limits apply. You must file a federal tax return and attach *Form 8863 Education Credits*. Keep in mind that if you use 529 funds or are reimbursed for educational expenses by an employer, you can't claim the credit for the same expenses. Consult your tax advisor regarding your situation.

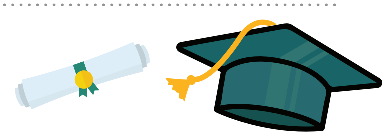
FAFSA Makeover

The FAFSA (Free Application for Federal Student Aid) that students and parents complete to apply for financial aid is becoming shorter and easier to navigate, thanks to the FAFSA Simplification Act. Scheduled to begin with the 2024-25 award year, the revisions to the form are designed to streamline the application process. Here are some highlights. The Act:

- Changes the methodology for determining aid. The Expected Family Contribution (EFC) is replaced by the Student Aid Index (SAI);
- Expands access to Federal Pell Grants and Federal Direct Loans, so more students will qualify;
- Includes a new interface to directly receive tax information from the IRS;
- Eliminates the reporting of financial contributions from others (grandparents, etc.);
- Increases the amount of income excluded from the financial aid eligibility formula;
- Eliminates the discount for having multiple children in college, effectively reducing financial eligibility for those families.

Additional information is available at studentaid.gov

The Cost of College



Institutional financial aid offices have constructed an average student budget for full-time undergraduate students for the 2022-23 school year. The budget items include tuition/fees, room and board, books/supplies, transportation, and miscellaneous expenses. Amounts are before any financial aid is awarded.

Public 2-year in-district commuter	$19,230
Public 4-year in-state on campus	$27,940
Public 4-year out-of-state on campus	$45,240
Private nonprofit 4-year on campus	$57,570

Source: College Board 2023, Trends in College Pricing 2022

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Manage Risk with Life Insurance

As a business owner, you may have two essential estate planning goals: to ensure that your business survives and to provide your family with sufficient cash to maintain their lifestyle should the unthinkable happen. September is life insurance month, a good time to consider how life insurance can help you meet both objectives, as well as others that are also important to you.

Pay Estate Taxes

Even if your business has a healthy valuation, it is still an illiquid asset. Selling it quickly probably would not be a practical option. That could leave your family scrambling to come up with the money to pay estate taxes. Additionally, the sale of your business may not be what you envisioned for it in the future. Life insurance can provide the funds to pay estate taxes, while freeing your family from the burden of finding the cash and honoring your wishes to keep your business intact.

Equalize an Inheritance

If any of your children are involved in your business, you may want the business to pass to them at your death. But what if you have other children who aren't involved in the business? If you do not have enough assets to equal the value of your business, you could purchase a life insurance policy and name the other siblings as beneficiaries to equalize their inheritance.

Fund a Buy-Sell Agreement

Under a typical buy-sell agreement, co-owners of a business each take out a life insurance policy and make the other owner(s) the policy's beneficiary. When an owner dies, the surviving owner(s) use the policy proceeds to buy the deceased owner's share of the business.

When there are multiple owners, an entity purchase agreement may be used. Under an entity purchase agreement, the company owns insurance policies on the lives of the owners. When an owner dies, the company receives the death benefit and uses it to buy the deceased owner's share from his or her estate.

Talk to Your Family

Your plans for your business and your family's inheritance shouldn't be a surprise. Tell your family what you're thinking and ask for their opinions. Family members may make valid points that you didn't consider.

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ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

June 02, 2023

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   Rule: FIN 2210

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The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Principal Analyst

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