



Priem Financial Times



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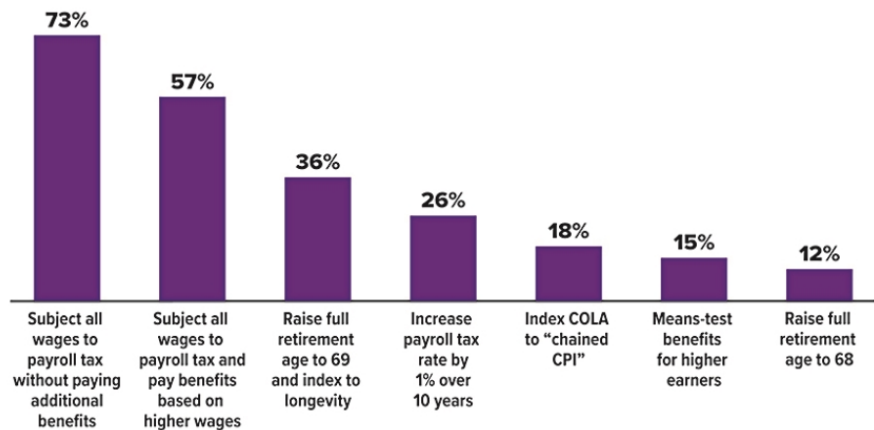


\$147,000

Limit on wages subject to Social Security payroll taxes in 2022 (increased annually for inflation). Proposals to address the Social Security funding shortfall include eliminating the wage cap or maintaining the cap and then reinstating the tax at higher income levels. Proposals differ as to whether benefits would be increased commensurate with higher taxable wages.

Closing the Social Security Funding Gap

According to the 2021 Social Security Trustees Report, the reserves that help fund Social Security retirement and disability benefits will be depleted in 2034, one year earlier than last year's projection due to the pandemic. At that time, the program will be able to pay only 78% of scheduled benefits. Numerous bills have been introduced to address the shortfall, but lawmakers have stalled because potential fixes require increased taxes and/or benefit reductions. The chart below shows the estimated percentage of the 75-year Social Security funding gap that would be closed by some proposed changes.



Source: Social Security Administration, December 13, 2021

Three Things to Consider Before Buying a Vacation Home

The arrival of the COVID-19 pandemic in 2020 led to a surge in demand for vacation/second homes — mainly spurred by government shutdowns and stay-at-home advisories. Whether working remotely, attending school online, or meeting up with friends and family virtually, people found themselves spending more time than ever at home.¹ If you are thinking about buying a vacation home, here are three things to consider before taking the plunge.

Tax Benefits

The tax treatment of your home will depend largely on how much time you (or a family member) use the property for personal purposes relative to the amount of time you rent it to others. If you plan to use the home for your personal use only, or rent it to others for fewer than 15 days per year, you can typically deduct property taxes, qualified residence interest, and casualty loss deductions. Rental income from a second home under these circumstances is not taxable and rental expenses are not deductible.

When you rent out your home for more than 15 days during the year, and your personal use of the home exceeds the greater of 14 days during the year or 10% of the days rented, then the property is considered a vacation home for tax purposes. You may deduct property taxes, qualified residence interest, and casualty loss deductions. However, rental expenses must be divided between personal and rental use, and deductible expenses are generally limited to the amount of income generated by the property. In addition, all rental income is reportable. Consider seeking advice from an independent tax or legal professional.

There are inherent risks associated with real estate investments and the real estate industry, each of which could have an adverse effect on the financial performance and value of a real estate investment. Some of these risks include: a deterioration in national, regional, and local economies; tenant defaults; local real estate conditions, such as an oversupply of, or a reduction in demand for, rental space; property mismanagement; changes in operating costs and expenses, including increasing insurance costs, energy prices, real estate taxes, and the costs of compliance with laws, regulations, and government policies. Real estate investments may not be appropriate for all investors.

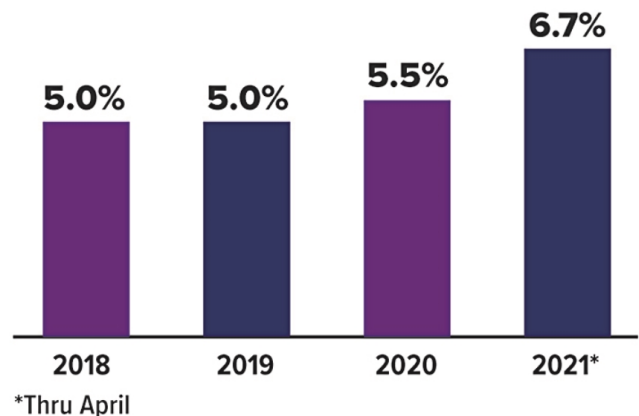
Affordability

Though there may be some financial benefits to owning your own small piece of paradise (e.g., rental income, increase in property value), you should only purchase a vacation home if you crunched the numbers and find that you can truly afford it. In addition to a mortgage, you'll have to pay property taxes and, depending on where the home is located, a

higher premium for hazard and liability insurance. The amount of money you pay for electricity, heat, sewer, water, phone, and other utilities will depend on how frequently and how many people use/occupy the vacation home. And unless your home comes furnished, initially you will need to spend money on furniture, bedding, and housewares to make sure that your home is equipped and ready for use/occupancy.

You'll also have to spend money on keeping up the home. Maintenance costs can include cleaning, yard work, pool or spa maintenance, plowing, and both major and minor repairs. If you're buying a condo or a home that is part of a homeowners association, you'll have to pay a monthly fee to cover maintenance/upkeep. Finally, if you are plan to rent out your vacation home, you may need to hire a property management company that will help you market, list, and maintain your rental property for a fee.

Share of Vacation Home Sales to Total Existing Home Sales



Source: National Association of Realtors, 2021

Investment Potential

Is the property located near a highly sought-after vacation destination? If so, it may turn out to be a good investment. Popular vacation rentals tend to increase in value over time, helping you build equity and accumulate wealth. In addition, it could generate enough rental income to help cover your mortgage and property taxes throughout the year.

If you vacation often enough, owning a vacation home could also end up saving you money in the long run. Compare the cost of your annual mortgage payments to what you normally pay for vacations during the year. You may be surprised to find that the costs are similar. Are you are planning for or nearing retirement? If so, you could buy a vacation home with the goal of eventually using it as your primary residence when you retire.

1) National Association of Realtors, 2021

Food Inflation: What's Behind It and How to Cope

As measured by the Consumer Price Index for food at home, grocery prices increased 3.4% in 2020, a faster rate than the 20-year historical average of 2.4%.¹ More recently, food inflation accelerated by 6.5% during the 12 months ending in December 2021, while prices for the category that includes meat, poultry, fish, and eggs spiked 12.5%.²

Food prices have long been prone to volatility, in part because the crops grown to feed people and livestock are vulnerable to pests and extreme weather. But in 2021, U.S. food prices were hit hard by many of the same global supply-chain woes that drove up broader inflation.

The pandemic spurred shifts in consumer demand, slowed factory production in the United States and overseas, and caused disruptions in domestic commerce and international trade that worsened as economic activity picked up steam. A shortage of metal containers and backups at busy ports and railways caused long shipping delays and drove up costs. Severe labor shortages, and the resulting wage hikes, have made it more difficult and costly to manufacture and transport many types of unfinished and finished goods.³

As long as businesses must pay more for the raw ingredients, packaging materials, labor, transportation, and fuel needed to produce, process, and distribute food products to grocery stores, some portion of these additional costs will be passed on to consumers. And any lasting strain on household budgets could prompt consumers to rethink their meal choices and shopping behavior.

Seven Ways to Master the Supermarket

The U.S. Department of Agriculture expects food inflation to moderate in 2022, but no one knows for certain how long prices might stay elevated.⁴ In the meantime, it may take more effort and some planning to control your family's grocery bills.

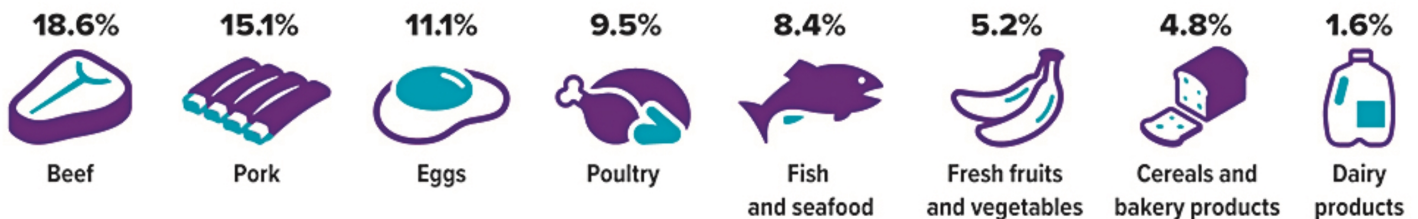
1. Set a budget for spending on groceries and do your best not to exceed it. In 2021, a typical family of four with a modest grocery budget spent about \$1,150 per month on meals and snacks prepared at home. Your spending limit could be higher or lower depending on your household income, family size, where you live, and food preferences.⁵
2. To avoid wasting food, be aware that food date labels such as "sell by," "use by," and "best before" are not based on safety, but rather on the manufacturer's guess of when the food will reach peak quality. With fresh foods like meat and dairy products, you can usually add five to seven days to the "sell by" date. The look and smell can help you determine whether food is still fresh, and freezing can extend the shelf life of many foods.
3. Grocery stores often rotate advertised specials for beef, chicken, and pork, so you may want to plan meals around sale-priced cuts and buy extra to freeze for later. With meat prices soaring, it may be a good time to experiment with "meatless" meals that substitute plant-based proteins such as beans, lentils, chickpeas, or tofu.
4. Stock up on affordable and nonperishable food such as rice, pasta, dried beans, canned goods, and frozen fruits and vegetables when they are on sale.
5. Select fresh produce in season and forgo more expensive pre-cut and pre-washed options.
6. Keep in mind that a store's private-label brands may offer similar quality at a significant discount from national brands.
7. Consider joining store loyalty programs that offer weekly promotions and personalized deals.

1, 4–5) U.S. Department of Agriculture, 2021

2) U.S. Bureau of Labor Statistics, 2022

3) Bloomberg Businessweek, September 15, 2021

Annual Change in Consumer Price Indexes for Food (through December 2021)



Source: U.S. Bureau of Labor Statistics, 2022

Avoiding Probate

Probate is the process of proving the validity of a will and supervising the administration of an estate usually in the probate court. State law governs the proceedings in the probate court, so the process can vary from state to state. Supervising the administration of an estate can result in additional expense, unwanted publicity, and delays in the distribution of estate assets for a year or longer, which is why planning to avoid the probate process may be beneficial.

There are several ways in which assets may transfer on death directly from the decedent/owner to others without probate. The following are some of the more common ways.

Create a living trust. A revocable living trust is a separate legal entity that can be set up to hold assets. You can transfer most assets to a living trust while you're alive and have complete access to and control of those assets during your lifetime. You can also direct who is to receive assets held in trust upon your death. *The use of trusts involves a complex web of tax rules and regulations, and usually involves upfront costs and ongoing administrative fees. You should consider the counsel of an experienced estate planning professional before implementing a trust strategy.*

Name a beneficiary. Many types of contracts allow you, as the account owner, to designate a beneficiary

or beneficiaries to receive the assets directly upon your death, avoiding probate. Examples include life insurance, annuities, and retirement accounts such as IRAs and 401(k)s.



Additional ways to avoid probate include making lifetime gifts and designating a transfer on death beneficiary for motor vehicles.

Make accounts payable on death. Certain other types of accounts, such as bank accounts and brokerage accounts, also allow you to designate a beneficiary to inherit the account at your death without going through probate.

Own real estate jointly or create a life estate. Owning property jointly, as joint tenants with rights of survivorship, is another way to transfer property at death while avoiding probate. When one joint owner dies, property ownership automatically transfers to the surviving joint owner. You can also create a life estate in the property. In this case, you transfer ownership of the property to others, often called remainder beneficiaries, while you retain a life estate in the property. This means you have the right to use and control the property during your lifetime. Upon your death, complete ownership of the property passes to the remainder beneficiaries.

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