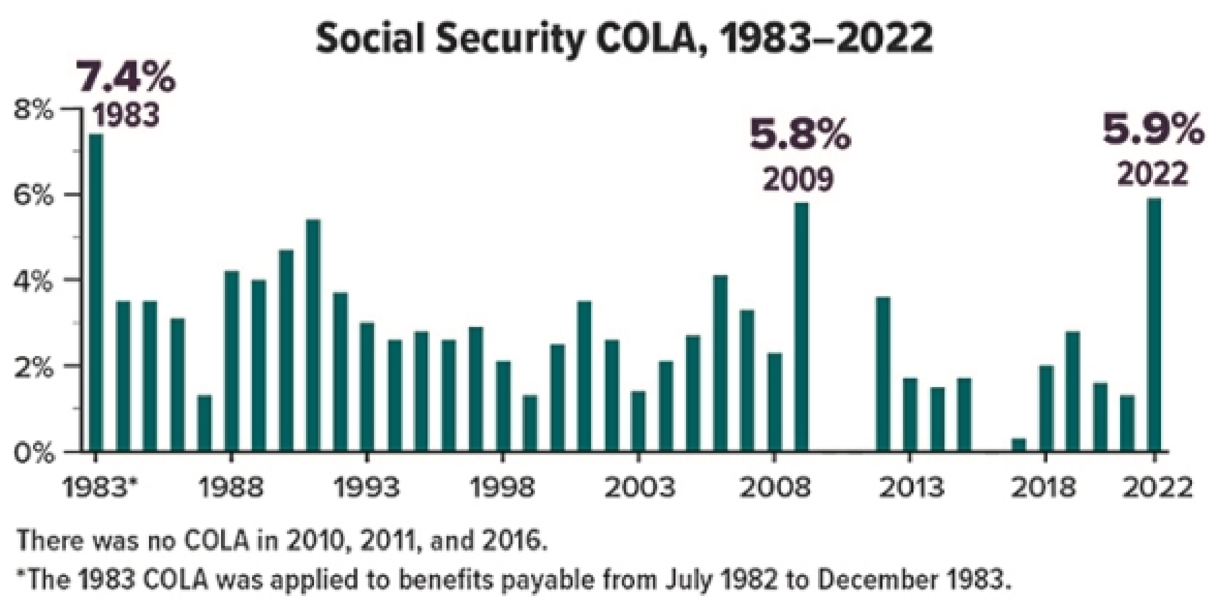
Ray Davis
Branch Owner, Wealth Advisor
The Davis Group
Myra Keith-Johnson, ChFC®
126 West Sego Lily • Suite 140 • Sandy • UT • 84070
801-365-0100 • 800-548-2205
Ray.Davis@RaymondJames.com • Trusted Advisors To Delta Pilots Since 1987

Big Boost for Social Security Payments

The Social Security cost-of-living adjustment (COLA) for 2022 is 5.9%, the largest increase since 1983. The COLA applies to December 2021 benefits, payable in January 2022. The amount is based on the increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from Q3 of the last year a COLA was determined to Q3 of the current year (in this case, Q3 2020 to Q3 2021).

Despite these annual adjustments for inflation, a recent study found that the buying power of Social Security benefits declined by 30% from 2000 to early 2021, in part because the CPI-W is weighted more heavily toward items purchased by younger workers than by Social Security beneficiaries.



Sources: Social Security Administration, 2021; The Senior Citizens League, August 11, 2021

Charitable Giving Can Be a Family Affair

As families grow in size and overall wealth, a desire to "give back" often becomes a priority. Cultivating philanthropic values can help foster responsibility and a sense of purpose among both young and old alike, while providing financial benefits. Charitable donations may be eligible for income tax deductions (if you itemize) and can help reduce capital gains and estate taxes. Here are four ways to incorporate charitable giving into your family's overall financial plan.

Annual Family Giving

The holidays present a perfect opportunity to help family members develop a giving mindset. To establish an annual family giving plan, first determine the total amount that you'd like to donate as a family to charity. Next, encourage all family members to research and make a case for their favorite nonprofit organization, or divide the total amount equally among your family members and have each person donate to his or her favorite cause.

When choosing a charity, consider how efficiently the contribution dollars are used — i.e., how much of the organization's total annual budget directly supports programs and services versus overhead, administration, and marketing. For help in evaluating charities, visit the Charity Navigator web site, charitynavigator.org, where you'll find star ratings and more detailed financial and operational information.

Snapshot of 2020 Giving

Despite the pandemic and economic downturn, 2020 was the highest year for charitable giving on record, reaching $471.44 billion. Giving to public-society benefit organizations, environmental and animal organizations, and human services organizations grew the most, while giving to arts, culture, and humanities and to health organizations declined.

Source: Giving USA 2021

Estate Planning

Charitable giving can also play a key role in an estate plan by helping to ensure that your philanthropic wishes are carried out and potentially reducing your estate tax burden.

The federal government taxes wealth transfers both during your lifetime and at death. In 2021, the federal gift and estate tax is imposed on lifetime transfers exceeding $11,700,000, at a top rate of 40%. States may also impose taxes but at much lower thresholds than the federal government.

Ways to incorporate charitable giving into your estate plan include will and trust bequests; beneficiary designations for insurance policies and retirement plan accounts; and charitable lead and charitable remainder trusts. (Trusts incur upfront costs and often have ongoing administrative fees. The use of trusts involves complex tax rules and regulations. You should consider the counsel of an experienced estate planning professional and your legal and tax professionals before implementing such strategies.)

Donor-Advised Funds

Donor-advised funds offer a way to receive tax benefits now and make charitable gifts later. A donor-advised fund is an agreement between a donor and a host organization (the fund). Your contributions are generally tax deductible, but the organization becomes the legal owner of the assets. You (or a designee, such as a family member) then advise on how those contributions will be invested and how grants will be distributed. (Although the fund has ultimate control over the assets, the donor's wishes are generally honored.)

Family Foundations

Private family foundations are similar to donor-advised funds, but on a more complex scale. Although you don't necessarily need the coffers of Melinda Gates or Sam Walton to establish and maintain one, a private family foundation may be most appropriate if you have a significant level of wealth. The primary benefit (in addition to potential tax savings) is that you and your family have complete discretion over how the money is invested and which charities will receive grants. A drawback is that these separate legal entities are subject to stringent regulations.

These are just a few of the ways families can nurture a philanthropic legacy while benefitting their financial situation. For more information, contact your financial professional or an estate planning attorney.

Bear in mind that not all charitable organizations are able to use all possible gifts, so it is prudent to check first. The type of organization you select can also affect the tax benefits you receive.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

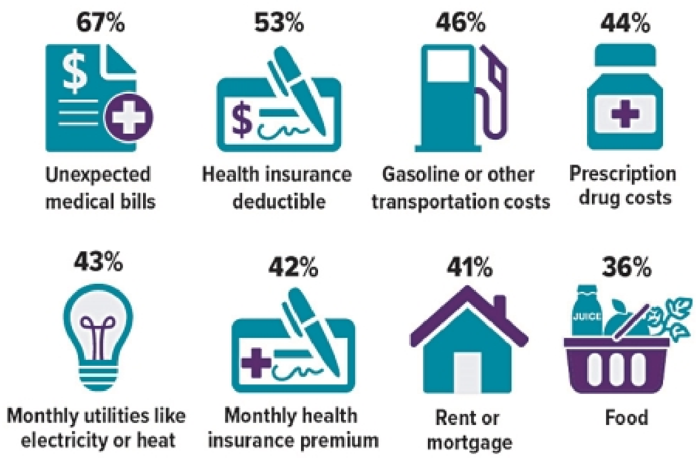
What a Relief! Congress Acts Against Surprise Medical Bills

If you have ever been caught off-guard by a large medical bill, a long-running practice known as balance billing might be the reason. A balance bill — which is the difference between an out-of-network provider's normal charges for a service and a lower rate reimbursed by insurance — can amount to thousands of dollars.

Many consumers are already aware that it usually costs less to seek care from in-network health providers, but that's not always possible in an emergency. Complicating matters, some hospitals and urgent-care facilities rely on physicians, ambulances, and laboratories that are not in the same network. In fact, a recent survey found that 18% of emergency room visits resulted in at least one surprise bill.[1]

Who's Afraid of High Health-Care Costs? Most People

Percent of surveyed adults who say they are worried about being able to afford the following expenses



Source: Kaiser Family Foundation and JAMA, 2020

Coming Soon: Comprehensive Protection

The No Surprises Act was included in the omnibus spending bill enacted by the federal government at the end of 2020. The new rules will help ensure that consumers do not receive unexpected bills from out-of-network providers they didn't choose or had no control over. Once the new law takes effect in 2022, patients will not receive balance bills for emergency care, or for nonemergency care at in-network hospitals, when they are unknowingly treated by out-of-network providers. (A few states already have laws that prevent balance billing unless the patient agrees to costlier out-of-network care ahead of time.)

Patients will be responsible only for the deductibles and copayment amounts that they would owe under the in-network terms of their insurance plans. Instead of charging patients, health providers will negotiate a fair price with insurers (and settle disputes with arbitration). This change applies to doctors, hospitals, and air ambulances — but not ground ambulances.

Consent to Pay More

Some patients purposely seek care from out-of-network health providers, such as a trusted family physician or a highly regarded specialist, when they believe the quality of care is worth the extra cost. In these nonemergency situations, physicians can still balance bill their patients. However, a good-faith cost estimate must be provided, and a consent form must be signed by the patient, at least 72 hours before treatment. Some types of providers are barred from seeking consent to balance bill for their services, including anesthesiologists, radiologists, pathologists, neonatologists, assistant surgeons, and laboratories.

Big Bills Will Keep Coming

The fact that millions of consumers could be saved from surprise medical bills is something to celebrate. Still, many people may struggle to cover their out-of-pocket health expenses, in some cases because they are uninsured, or simply due to high plan deductibles or rising costs in general. Covered workers enrolled in family coverage contributed $5,588, on average, toward the cost of premiums in 2020, with deductibles ranging from $2,700 to more than $4,500, depending on the type of plan.[2]

When arranging nonemergency surgery or other costly treatment, you may want to take your time choosing a doctor and a facility because charges can vary widely. Don't hesitate to ask for detailed estimates and try to negotiate a better price.

If you receive a bill that is higher than expected, don't assume it is set in stone. Check hospital bills closely for errors, check billing codes, and dispute charges that you think insurance should cover. If all else fails, offer to settle your account at a discount.

1-2) Kaiser Family Foundation, 2020

Usage-Based Auto Insurance Might Provide Savings

Like everything else, the pandemic greatly impacted driving habits. Workers who once had long commutes and drove to work every day suddenly found themselves working remotely. Others were spending more time at home as the result of a job loss or reduction in hours. In fact, there was a 55% decrease in the average number of miles driven in 2020. That, coupled with a record unemployment rate, resulted in a surge in auto insurance shopping, driven by consumers looking to change their coverage or find better rates.[1]

If you are driving less than you used to, you might consider switching to a usage-based auto insurance policy that could save you money on your premiums. Usage-based policies use apps or tracking devices (telematics) to collect and monitor mileage and driving habits (e.g., speeding, acceleration, hard braking, cell phone use) to help determine rates. Usage-based policies typically provide a discount for signing up or upon policy renewal, and additional discounts are given based on safe driving performance.

If you have privacy concerns and find this type of monitoring too invasive, another option is a pay-per-mile policy, which only monitors your mileage. Pay-per-mile policies usually have a base rate and then charge an additional amount for each mile driven. In addition, you can also check with your current insurer to see if it offers a low-mileage discount, which typically only requires you to provide your car's odometer readings or maintenance records to obtain a discount.

If you are looking for other ways to save money on your insurance, consider the following additional cost-saving options.

Raise your deductible. Generally, the higher your deductible, the lower your premiums. Before you raise your deductible, though, be sure you can cover the out-of-pocket expense should an accident occur.

Take advantage of discounts. You may be eligible for one or more auto insurance discounts. For example, your insurer might provide discounts to individuals with a safe driving record, teens with good grades, or when bundling your auto policy with your homeowners insurance.

Drop unnecessary coverage. If you have an older car with limited value, it might make sense to drop your collision and comprehensive coverage, since a claim paid by your insurance company may be minimal and might not exceed what you would pay in premiums and deductibles.

Shop around. Auto insurance rates vary from company to company — sometimes significantly. Compare the various rates offered by different insurers.

1) J.D. Power, 2021
