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FINANCIAL NEWS DIGEST

MONEYLINE

The 529 Grandparent Loophole

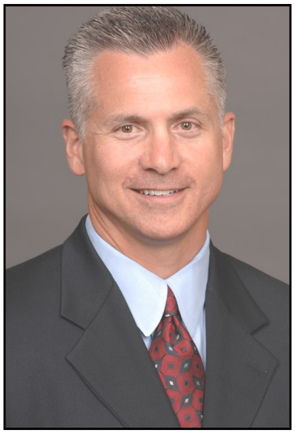
Courtesy of James E. Adkins

The FAFSA Simplification Act, an overhaul of the processes used to award federal student aid, will become finalized in the 2024-25 school year. The simplification lets grandparents with 529 accounts take advantage of what's called the "grandparent loophole."

Previously, distributions from a grandparent's 529 plan were reported as untaxed student income, which could reduce aid eligibility by up to 50% of the amount of the distribution — a significant penalty. For example, under the old rules, a $10,000 distribution from a 529 plan could reduce your grandchild's aid eligibility by $5,000.

However, with the new streamlined FAFSA, there's now a difference in how distributions are treated compared to previous years, giving grandparents a positive advantage. On the 2024-25 FAFSA, students are no longer required to report cash gifts from a grandparent or contributions from a grandparent-owned 529 savings plan. Because of this, grandparents can now use a 529 plan to fund a grandchild's education without impacting the student's financial aid eligibility.

Using a 529 plan can be a great way to save for your grandkids' college education. While 529 contributions have to be made with after-tax money, the contributions grow free from federal or state tax.



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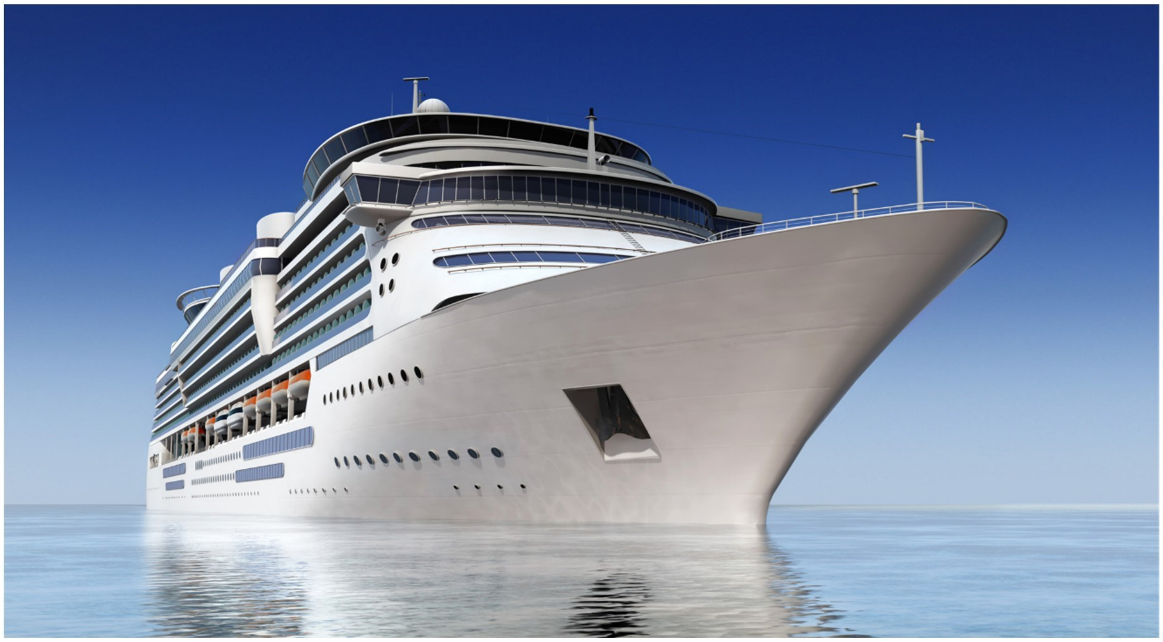
What's your home equity loan costing you these days? If you took out a variable-rate HELOC back when rates were low, you may be surprised to learn that average HELOC rates have jumped from less than 4% to around 9%, a significant increase in the cost of paying back the loan.
Source: Money.com

Electric vehicles cost 25% more to insure than comparable gasoline-powered vehicles. Types of coverage, policy limits and deductibles are basically the same for EVs as for gas-powered vehicles, but insurance is based on what it costs to repair or replace a vehicle. EVs tend to be more expensive in the first place and more costly to replace. Parts and labor to fix EVs also cost more, special tools and specially trained mechanics are needed to work on these vehicles. While EVs tend to require less maintenance than gasoline-powered vehicles, the maintenance that *is* needed tends to cost more.
Source: AAA.com

"Make all you can, save all you can, give all you can."
-John Wesley



These Cruise Tips Can Make For Smooth Sailing

By Laura Patrecca, Kiplinger's Personal Finance

Planning a cruise can be complicated. You'll face a wide range of decisions, including cabin location, food options, internet package type, and which activities and excursions to prioritize. On top of that, you'll need to get a grasp of added costs, such as port fees and gratuities, and understand cancellation policies.

This is where an experienced travel adviser comes in. An adviser can guide you throughout your entire journey, from picking a cruise and finding a cabin away from noisy areas to avoiding surprise charges on your final bill.

Their services usually come at no additional cost because cruise lines typically pay commissions to these advisers, says Colleen McDaniel, editor-in-chief of Cruise Critic, a website that provides cruise reviews and information.

In addition, they can often provide discounts and perks that you wouldn't find on your own, says Trapper Martin, travel adviser with the firm Dream Vacations Trapper Martin, Shane Smartt & Associates.

To find an adviser, visit the Cruise Lines International Association's website at https://cruising.org/en/find-a-travel-agent or the American Society of Travel Advisors' website at https://my.asta.org/connect-with-a-travel-advisor. Many cruise lines also provide online directories of advisers.

Once you've decided on a cruise, don't hold off on booking in hopes that prices will drop. Demand for cruises is strong, as those forced ashore during the pandemic are eager to explore the world. Ocean cruising is one of fastest-growing areas of tourism, according to the Cruise Lines International Association.

"Start early to maximize your savings and access the best cabin category and location selections," says Laura Poe, founder of the travel-planning firm Curated by Laura Poe. In fact, cruise fares typically increase closer to the sail date, she says.

Plan to get to your departure port a minimum of one day ahead, says Martin. This way you'll build in some wiggle room if your flight is delayed or canceled or if you miss a connection. And if you're crossing time zones, arriving early will give you time to shake off your jet lag.

From internet and port fees to excursion expenses and automatically added gratuities, most cruises are jam-packed with expenses beyond your basic fare.

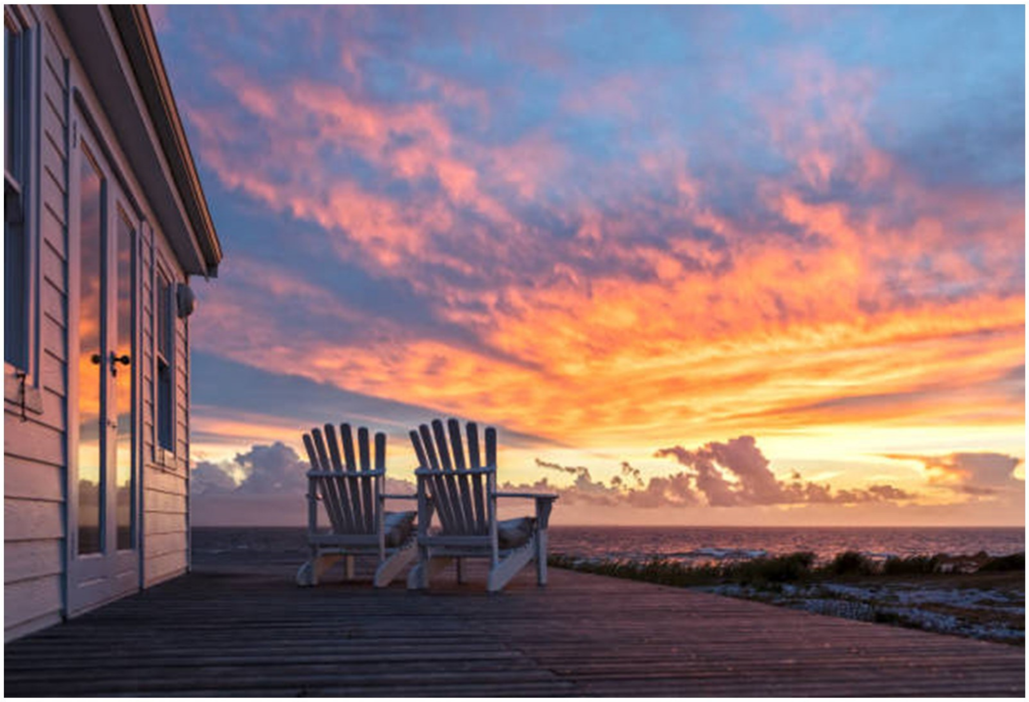
To avoid a post-trip financial headache, take time to review your expected costs before embarking. Factor in the total expense of the trip, which could include airfare or hotel stays before and after your cruise, expenses related to your time on the ship and costs such as travel insurance.

In some cases, signing up for drinks, spa service, specialty dining and other packages can help reduce your costs. But it's crucial to do the math. Some packages can set you back more than $100 per day, and typically you must opt in for the entire length of the trip. Unless you're planning on enjoying alcoholic drinks all day long, you might be better off buying your drinks individually.

Your Vacation Home & Tax-free Income

By Sandra Block, Tribune Content Media

If you own a vacation home, there's a good chance you use it primarily as a getaway for your family and friends. But if it's located in an area that's popular with tourists, don't overlook an opportunity to earn extra tax-free income by renting it out.



As long as you rent your home for 14 days or less during the year, you're not required to report rental income on your tax return. The exception applies no matter how much you charge for the 14-day stay. The rule also applies to your primary residence.

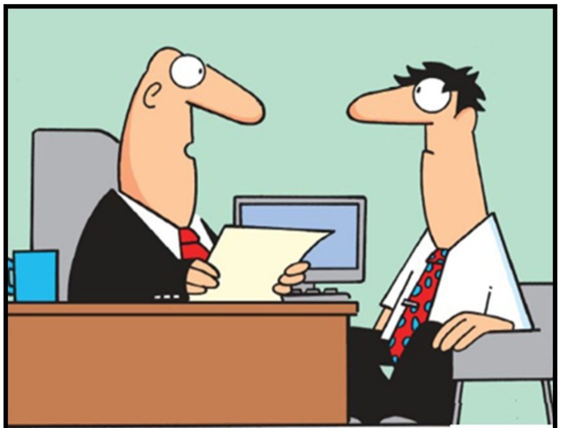
The IRS provision allowing individuals to exclude short-term temporary income is known as the "Masters rule" because residents of Augusta, Ga., successfully lobbied for the exemption back in the 1970s so they could rent out their homes during the annual Augusta National Golf Club Masters tournament. In enacting the provision, the IRS said such temporary rentals didn't represent regular business activity. The rise of Airbnb and other vacation rental services that allow owners of vacation homes to list their properties has made the tax break even more valuable.

If you don't use your vacation home frequently, you may be interested in renting it out for more than two weeks. Be aware, though, that once you exceed the 14-day threshold, you must report rental income to the IRS.

The good news here is that you'll also be eligible for a long list of deductions that will reduce your tax bill. Deductible expenses include your mortgage interest, utilities, housekeeping, repairs, and even towels and sheets.

However, if you spend more than 14 days a year at your vacation home, or more than 10% of the number of days the home is rented, the IRS considers the home a personal residence. In that case, you can only deduct expenses up to the amount of rental income you've received, and you can't deduct losses.

As long as you limit your personal use to 14 days or 10% of the number of days it's rented, the home is considered a business, and you can deduct all of the expenses. Depending on your income, you may also be able to deduct up to $25,000 in losses if your expenses exceed your income. For that reason, any vacation-home owner who is thinking about renting it out should keep good records, not only of deductible expenses but also of the number of days you stay on the property. If you plan to rent out your vacation home for more than 14 days, you may want to limit the amount of time you spend there so you can increase the amount of deductible expenses.


"If you factor in the money you didn't lose on the investments you didn't make, you're actually doing quite well."

Placing a wet cell phone into a bowl of rice to dry it out not only doesn't work, it also can damage the device. *Better:* Hold the phone with the connector pointing down, gently tap out any liquid, then leave the device to dry out in a place that has good air circulation before reconnecting it to the charger. Don't place your phone on a radiator or use a hairdryer or other external heat source. Also, don't try to insert a cotton swab or paper towel into the phone. *Source: BBC.com*

For longer laptop battery life, keep the battery charged to at least 40% most of the time and do not let it run down completely. Unplug the laptop once it is charged. Leaving the battery at full charge for a long time shortens its life. Buy replacement chargers or cables from the laptop's manufacturer. It is worth the higher cost to ensure hardware compatibility and safety. Avoid exposing your laptop to very hot or very cold temperatures. If you notice it getting too hot, turn it off and let it cool down. Don't use performance apps that monitor battery life as these apps constantly use power. *Source: Komando.com.*

"Wealth is the slave of a wise man, the master of a fool."

-Seneca (5 BC - 65 AD)

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The Financial Benefits Of A Phased Retirement

By Kimberly Lankford, Kiplinger's Personal Finance

More older employees choose to reduce their work hours and phase into retirement. Even though they'll take a cut in pay, a phased retirement has financial benefits.

Even if you earn much less than you earned from full-time work, the extra money can help minimize the amount you withdraw from your retirement savings for a few years, leaving more money to grow in your tax-advantaged accounts.

Continuing to contribute to your retirement savings can give you a leg up, too. You may still qualify to contribute to your employer's 401(k) and receive an employer match. And you can contribute to a Roth IRA provided you have earned income from a job. In 2024, people 50 and older can contribute up to $8,000.

The extra income you earn from working part-time can help you afford to postpone claiming Social Security benefits and could boost your monthly payout when you finally sign up.

Full retirement age is 66 for people born from 1943 to 1954 and gradually increases, by two months for each birth year, until it reaches age 67 for people born in 1960 and later. Claiming benefits at age 62 rather than your full retirement age can reduce your annual benefits by as much as 30%, depending on the year you were born.

If you wait past your full retirement age to claim benefits, your payouts get a boost. For each year you delay between full retirement age and age 70, your annual benefits will increase by 8%. "Not only is there a lot more of a benefit, but the annual cost-of-living adjustment is based on a higher base amount of benefit, so the growth of future benefits has a compounding effect," says Mitchell Freedman, a CPA and personal financial specialist in Westlake Village, California.