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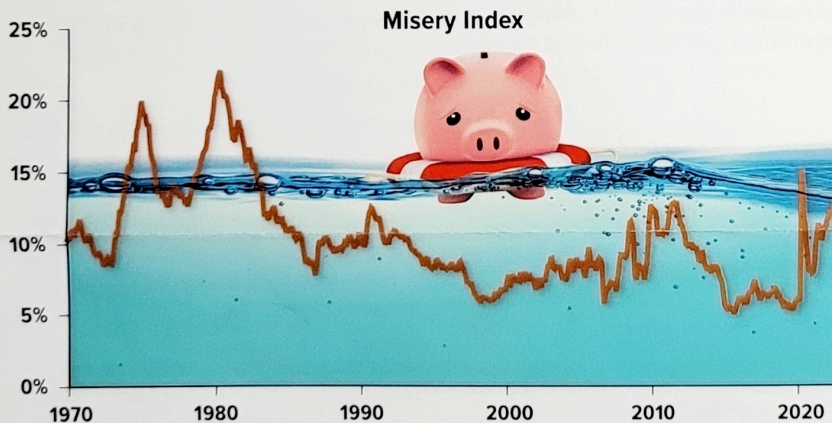
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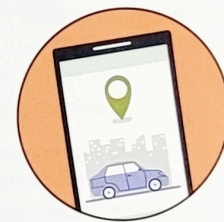
Bob Scott
Broker

Measuring Economic Misery

The Misery Index, which combines the 12-month change in the Consumer Price Index (CPI-U) with the U.S. unemployment rate, is intended to gauge the economic stress facing U.S. consumers. Despite sky-high inflation, the Misery Index has remained well below levels reached during infamous inflationary periods in the 1970s and 1980s. In August 2022, prices increased at an 8.3% year-over-year pace, down from a peak of 9.1% in June but still uncomfortably high. Meanwhile, the headline unemployment rate was 3.7%, just above the 50-year low posted prior to the pandemic.



Source: U.S. Bureau of Labor Statistics, 2022 (data from 1/1/1970 to 8/31/2022)



Taken for a Ride

App-based ride-sharing services spent years subsidizing the cost of rides to seize market share from competitors, making taxi rides nearly obsolete in the process. But now riders are quite literally paying the price. In April 2022, the nationwide per-mile price of an app-based ride was 27% higher than it was in April 2019, and the cost has increased much more in some cities, such as Phoenix (40%) and Atlanta (50%).

Source: *The Wall Street Journal*, May 22, 2022

PRACTICAL INSIGHTS FOR YOUR FINANCIAL GOALS

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When Should Young Adults Start Investing for Retirement?

As young adults embark on their first real job, get married, or start a family, retirement might be the last thing on their minds. Even so, they might want to make it a financial priority. In preparing for retirement, the best time to start investing is now — for two key reasons: compounding and tax management.

Power of Compound Returns

A quick Internet search reveals that Albert Einstein once called compounding “the most powerful force in the universe,” “the eighth wonder of the world,” or “the greatest invention in human history.” Although the validity of these quotes is debatable, Einstein would not have been far off in his assessments.

Compounding happens when returns earned on investments are reinvested in the account and earn returns themselves. Over time, the process can gain significant momentum.

For example, say an investor puts \$1,000 in an investment that earns

5%, or \$50, in year one, which gets reinvested, bringing the total to \$1,050. In year two, that money earns another 5%, or \$52.50, resulting in a total of \$1,102.50. Year three brings another 5%, or \$55.13, totaling \$1,157.63. Each year, the earnings grow a little bit more. Over the long term, the results can snowball (see chart).

Tax Management

Another reason to start investing for retirement now is to benefit from tax-advantaged workplace retirement plans and IRAs.

Lower taxes now. Contributions to a traditional 401(k) and similar plans are deducted from a paycheck before taxes, so contributing can result in a lower current tax bill. And depending on a taxpayer’s income, filing status, and coverage by a workplace plan, contributions to a traditional IRA may result in an income tax deduction.

Tax-deferred compounding. IRAs and workplace plans like 401(k)s compound on a tax-deferred basis,

which means investors don’t have to pay taxes on contributions and earnings until they withdraw the money. This helps drive compounding potential through the years.

Future tax-free income. Roth contributions to both workplace accounts and IRAs offer no immediate tax benefit, but earnings grow on a tax-deferred basis and qualified distributions are tax-free. A qualified distribution is one made after the Roth account has been held for five years and the account holder reaches age 59½, dies, or becomes disabled.

Saver’s Credit. In 2022, single taxpayers with adjusted gross incomes up to \$34,000 (\$66,000 if married filing jointly) may qualify for an income tax credit of up to \$1,000 (\$2,000 for married joint filers) for eligible retirement account contributions. Unlike a deduction, which helps reduce the amount of income subject to taxes, a credit is applied directly to the amount of taxes owed.

Avoiding penalties. Keep in mind that withdrawals from pre-tax retirement accounts prior to age 59½ and nonqualified withdrawals from Roth accounts are subject to a 10% penalty on top of ordinary income taxes.

Additional Fuel for the Fire

Workplace plans that offer employer matching or profit-sharing contributions can further fuel the tax-advantaged compounding potential. Investors should consider taking full advantage of company matching contributions, if offered.

With the power of compounding and the many tax advantages, it often makes sense to make retirement investing a high priority at any age.

A Head Start Can Be a Strong Ally

This chart illustrates how much an investor could accumulate by age 65 by investing \$3,000 a year starting at age 25, 35, or 45 and earning a 6% annual rate of return, compounded annually.



These hypothetical examples of mathematical compounding are used for illustrative purposes only and do not reflect the performance of any specific investments. Fees, expenses, and taxes are not considered and would reduce the performance shown if they were included. Rates of return will vary over time, particularly for long-term investments. Investments offering the potential for higher rates of return also involve a higher degree of investment risk. Actual results will vary.

New Programs Pave the Way to Faster Internet

About one in four Americans don't have access to broadband Internet at home — often because they live in a rural area where service is unavailable or can't afford to pay for it.¹ The most popular Internet packages, with download speeds of about 98 Megabits per second (Mbps), had an average monthly price of \$45.97 in 2022.²

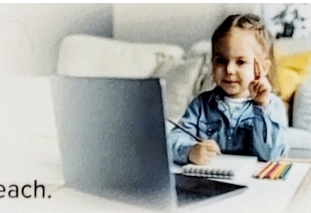
The bipartisan, \$1 trillion Infrastructure Investment and Jobs Act, passed by Congress in 2021, designates \$65 billion to help build out the nation's broadband network and expand access to more Americans. Loans and grants will be awarded to states and territories for the funding of fiber-optic cable projects and to incentivize telecommunications companies to expand

high-speed Internet service to rural areas that are costlier to reach.

The law also provides \$14 billion for the Affordable Connectivity Program, which offers families a subsidy of up to \$30 per month to help cover broadband Internet service. An estimated 48 million households — nearly 40% of U.S. households — could be eligible for the program, which is available to those with incomes that are at or below 200% of federal poverty guidelines or who qualify for a government assistance program. For more information, visit [GetInternet.gov](https://www.getinternet.gov).

1) Pew Research Center, 2021

2) US Telecom Broadband Pricing Index, 2022



The Inflation Experience Is Painful — and Personal

Inflation is a sustained increase in prices that reduces the purchasing power of your money over time. According to the Consumer Price Index (CPI), inflation peaked at an annual rate of 9.1% in June 2022, the fastest pace since 1981, before ticking down to 8.3% in August.¹

The CPI tracks changes in the cost of a market basket of goods and services purchased by consumers. Items are sorted into more than 200 categories that are weighted according to their “relative importance,” a ratio that represents how consumers divide up their spending, on average. Basic needs such as shelter (32%), food (14%), energy (9%), transportation (9%), and medical care (7%) account for about two-thirds of consumer expenditures.

The current bout of inflation has been driven in large part by steep price increases for essentials,

which means it's hitting many U.S. households where it hurts. Even so, some consumers feel the sting of inflation more than others.

The extent to which you experience inflation depends a lot on your spending patterns, which are influenced by where you live as well as your age, income, family size, and lifestyle. In effect, your personal inflation rate could be significantly higher or lower than the average headline inflation rate captured in the CPI. Consider the following examples.

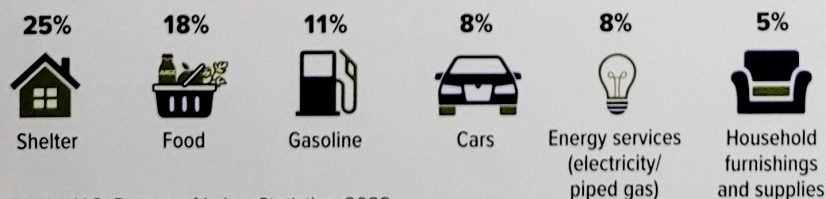
- In August 2022, the 12-month increase in the cost of shelter was 6.2%.² Shelter carries the most weight of any category in the CPI, which made fast-rising home prices and rents a top driver of inflation over the previous year. However, a homeowner with a fixed mortgage is generally insulated from these

rising costs and might even benefit financially from home-equity gains. Meanwhile, a first-time homebuyer, or a renter who signs a new lease, is likely to feel the full impact of these hefty price increases.

- Gasoline surged 25.6% during the 12 months ended in August 2022.³ Individuals who rarely drive, possibly because they are retired or work remotely, might have been able to shrug off the price spike caused by the Russia-Ukraine war. But for drivers with long commutes, filling up the gas tank regularly might have put a sizable dent in their household's finances, in some cases forcing them to cut back on other purchases.
- Food prices rose 11.4% over the same 12-month period, a trend that clearly affects everyone.⁴ But rising food costs tend to put more pressure on the budgets of lower-income households because they spend a greater share of their income on necessities and typically have smaller financial cushions. Plus, shoppers can't easily switch to lower-cost options if they are already relying on them.⁵

Top Inflation Drivers

Contribution to the 12-month, 8.3% increase in consumer prices, August 2022



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

1–4) U.S. Bureau of Labor Statistics, 2022

5) Federal Reserve, 2022

Is It Time to Buy an Electric Vehicle?

Record-breaking fuel prices may have you thinking about buying an electric vehicle sooner rather than later. All electric vehicles (EVs) or plug-in electric vehicles (PEVs), as they're also called, run on electric energy stored in a rechargeable battery rather than on fuel. Plug-in hybrid electric vehicles (PHEVs) that can run on either type of power are also popular. The market is evolving quickly: 126 additional hybrid and EV models were introduced between 2020 and 2021, and U.S. sales nearly doubled.¹

Cost and Battery Range

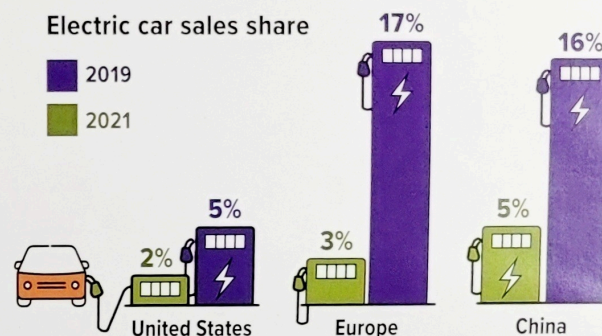
Saving money at the pump and benefiting the environment will generally cost more upfront, in part because of high battery and production costs. Prices are likely to rise in the short term, too, as demand and raw material costs increase. However, maintenance costs may be lower because EVs have fewer moving parts. And the more you drive, the more your energy savings could add up.

Tax credits or incentives may help offset the cost of purchasing a new electric or hybrid vehicle. Starting in 2023, an updated tax credit of up to \$7,500 will be available for the purchase of new clean vehicles, including some EVs and PHEVs. There is also a new tax credit of up to \$4,000 for some pre-owned EVs purchased from a dealer. Check on credit availability before you buy, because not all vehicles will qualify, and you may not be eligible to claim the tax credit (income limits apply). Tax credits and other incentives may also be offered at the state or local level. You can find more information about tax credits and incentives at [fueleconomy.gov](https://www.fueleconomy.gov).

A special concern for EV shoppers is battery range. Fortunately, most EVs can handle daily driving, with typical driving ranges of 150 to 400 miles on a single charge.²

Accelerating EV Uptake

Nearly 10% of all new cars sold worldwide in 2021 were electric — four times the market share in 2019.



Source: International Energy Agency, 2022

Vehicles can charge at home via a standard outlet, but you may opt to pay an electrician to install a high-powered charger to increase charging speed (incentives or rebates may help offset the cost). Also consider the availability of public charging stations; networks are expanding rapidly but are still not found everywhere.

Get in Line

Like their gas-powered counterparts, EVs come in many makes and models. To find your favorites, read reviews and test-drive if possible. One way to ensure you're in line to purchase the model you want is to get on a manufacturer's waiting list, though there may be a fee. Wait times will likely fall as more manufacturers ramp up production and new models are introduced. So if you decide not to buy an EV now or can't find one in stock, you should have plenty of opportunity to buy one not too far down the road.

1–2) U.S. Department of Energy, 2022

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