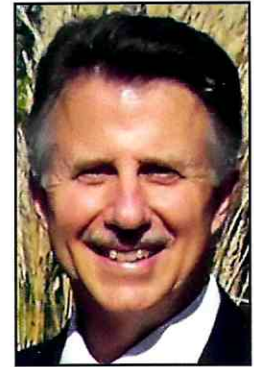


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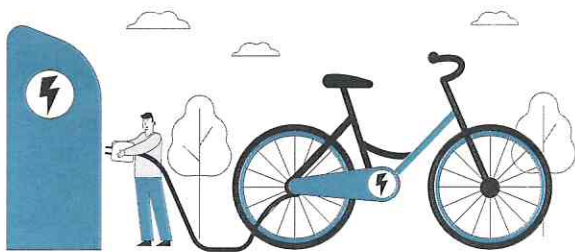
Which College Grads Are Richer in Human Capital?

College graduates gain a serious edge in earning potential. As a group, workers with a bachelor's degree earn about 75% more over their lifetimes than those with only a high school diploma, but new grads with some degrees tend to start their careers earning higher salaries than others.

Average salary projections, Class of 2022 (Bachelor's degree graduates, by type of major)



Sources: Georgetown University Center on Education and the Workforce, 2021; National Association of Colleges and Employers, 2022



E-Bikes Are Winning the EV Race

U.S. import figures suggest that the nation's best-selling electric vehicles are two-wheelers. An estimated 790,000 e-bikes (battery-powered bicycles with varying levels of pedal assistance) were sold in 2021, outpacing U.S. sales of electric cars (652,000).

Source: Bloomberg, January 21, 2022

PRACTICAL INSIGHTS FOR YOUR FINANCIAL GOALS

Preparing for a Natural Disaster

Most areas in the United States are susceptible to some form of natural disaster, whether it's a wildfire, tornado, hurricane, earthquake, or flood. A severe storm or other catastrophic event often strikes with little warning, can result in costly damage to your home, and puts your family's safety at risk. Being prepared may help you make it through a natural disaster safely.

Protect Your Home

Wherever you live, there are proactive steps you can take to help protect your home from natural disasters:

- To help fend off storm damage, inspect and repair roof shingles and flashing, clean your gutters and downspouts so that water can flow freely away from your home, trim overhanging tree limbs, and consider investing in storm windows, doors, and shutters.
- If you live in a fire zone, create a defensible perimeter around the outside of your home; keep roof surfaces and gutters free of flammable materials such as pine needles, leaves, and branches; and consider installing fire-resistant roofing and/or siding material.
- If you live in an area that could experience a major earthquake, retrofitting an older home (strengthening the foundation with braces and bolts) might reduce the amount of damage caused by severe shaking.

Have an Emergency Plan/Disaster Kit

A natural disaster can sometimes cause power outages that last for days. It can also result in downed power lines, fallen trees, and/or flooding that make roads impassable. Know evacuation routes and have an emergency plan that identifies a safe place to meet in the event that family members become separated. Keep important addresses and phone numbers accessible, and identify a place where you can safely stay for an extended period of time if necessary. In addition, assemble a disaster kit with the following items:

- **Food/supplies.** Stock up on several days' worth of nonperishable food and bottled water. Store other

items that are specific to your family's needs, such as infant formula, diapers, pet food, clothing, and blankets.

- **First aid/medicine.** Be prepared for any possible medical needs by having a first-aid kit. Also talk to your doctor about obtaining an extra prescription for important medications you take.
- **Communication/safety items.** Make sure your cell phones are fully charged before the storm arrives. Also gather additional safety items, such as matches, flashlights, batteries, and an AM/FM radio.
- **Important documents/valuables.** Place important documents, such as personal/financial/medical records and any valuables in a secure location that is easily accessible in case of an emergency.

Review Your Insurance Coverage

Review all of your insurance policies (e.g., homeowners, renters, and auto) to make sure that you have appropriate coverage for your property and belongings. Your home and its contents should be insured to their full replacement cost, including any new additions, remodels, and furniture. Be sure to take pictures/videos and make an inventory of your home and valuables in case they are damaged or destroyed. Keep in mind that certain types of damage (e.g., flood and earthquake) are generally excluded from a standard homeowners policy, but separate coverage is often available. Contact your insurance agent to determine if you need to purchase additional insurance tailored to the risks in your area.

If your home suffers severe damage from a natural disaster, you'll need to file a claim with your insurance company. Take pictures to document the damage (both inside and outside of your home) as soon as possible. While your claim is being processed, take steps to prevent further damage (e.g., putting a tarp on a damaged roof), since the insurance company may not cover anything beyond the initial damage to your property.

U.S. Natural Catastrophe Economic Losses, 2021 (in billions)



Uncle Sam Wants to Know About Your Gig Income

If you're self-employed or have a side hustle for which you earn money through an app or online digital platform, you may be affected by a tax reporting change that took effect on January 1, 2022. A provision of the 2021 American Rescue Plan requires third-party payment processors to report business transactions totaling over \$600 per year by issuing a Form 1099-K to the taxpayer and the IRS. In prior years, the reporting threshold was much higher (200 business transactions and \$20,000).

Here are a few details pertaining to this far-reaching new rule.

It's not personal. Business transactions are defined as payments for goods or services, including tips. Money received from the online sale of personal items like old clothing or furniture, which are normally sold at a loss, is not taxable and does not need to be reported. However, those in the business of reselling goods for a profit should carefully track the original costs of their purchases. Peer-to-peer payment apps are not required to report personal transactions intended as gifts or used to pay back friends for dinner or trips, or to split other costs. How will third-party apps know the difference? The payer will likely be asked to indicate the purpose of each transaction so it can be categorized correctly.



It's not a tax change. Taxpayers who sell goods, regularly rent out a vacation home, walk dogs, or perform any other type of freelance work through digital platforms were already responsible for self-reporting all income for tax purposes. But now the IRS will have a way to cross-reference the information sent by third parties with amounts reported by individuals and businesses on their tax returns.

Mistakes may happen. If a payer (a roommate making a shared rent payment, for example) accidentally clicks on the wrong box, the recipient could receive a Form 1099-K for a transaction that is not taxable. It's also possible that a freelancer will receive a Form 1099-K from the payment processor and a Form 1099-MISC from the client for the same transaction. In such cases, the taxpayer may need to explain the discrepancy to the IRS.

Using separate accounts for personal and business-related digital transactions could make things much simpler at tax time. As always, keeping detailed and organized records will help ensure that your tax return is accurate, so you don't overpay or raise any red flags with the IRS. Be sure to consult a qualified tax professional if you need help navigating the new rules.

What the Red-Hot Job Market Means for Workers

The COVID-19 pandemic kicked off a severe labor shortage — and quite possibly the most worker-friendly job market in many years. The sheer number of available jobs has been running far above the number of unemployed job seekers. In December 2021, employers reported 10.9 million job openings, compared with only 6.3 million unemployed persons.¹

This smorgasbord of open positions provides job seekers with more choices and more leverage. U.S. workers quit their jobs at record rates in 2021, in many cases to join new employers offering higher pay, lucrative benefits, better working conditions, or more flexibility — such as the option to work remotely.²

More intense competition for workers drove wages up 4.7% in 2021, while the Consumer Price Index (CPI) rose 7.0% — the highest annual inflation rate in nearly 40 years — as many businesses passed higher labor costs on to their customers.³ Unfortunately, real wages, which are adjusted for inflation, dropped as prices spiked in 2021. Workers don't really benefit from wage gains

Industries with highest average wage growth in 2021

Leisure and hospitality	19.1%
Retail trade	8.9%
Wholesale trade	6.4%
Professional and business services	5.9%
Manufacturing	5.2%

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



unless they outpace inflation, because it cuts into their buying power.

Even so, labor shortages have been more acute in some industries, especially for lower-paying and in-person jobs, which led to much bigger wage increases for some types of workers.

1–3) U.S. Bureau of Labor Statistics, 2022

Sticker Shock Is No Joke for Car Buyers

The average price for a new vehicle reached \$47,077 in December 2021, which amounts to a 14% price hike in just one year. Perhaps more startling, the average price paid for a nonluxury vehicle was \$900 above the Manufacturer's Suggested Retail Price (MSRP), otherwise known as the sticker price.¹

Most people who have shopped for a new car in recent months can attest to the meager selection of available cars offered at sky-high prices. What's causing this madness in the new car market?

Limited supply and deferred demand. It's no secret by now that an ongoing global shortage of microchips has caused an industry-wide slowdown in the production of new vehicles. The chip shortage is generally expected to last well into 2022, if not longer, while demand for new cars is expected to remain strong. Moreover, the year began with an estimated 4.5 to 5 million consumers waiting in the wings to buy cars.²

Dealership pricing dynamics. With demand far outpacing supply, many dealerships don't need to offer the usual discounts and incentives. Another reason for higher transaction prices is that many of the vehicles available for sale are trimmed out with upgrades that boost dealers' profit margins. Some dealers have added exorbitant markups for high-demand vehicles, called market adjustments, that can result in prices that run thousands of dollars above the MSRP.

Before rushing into a contract for an overpriced vehicle, do plenty of research and take a close look at competing models that may meet your needs without breaking the bank. If your heart is set on a particular car, compare prices at dealerships over a wider map. You

Average annual price increase for a new car



Source: Kelley Blue Book, 2022

might consider ordering a vehicle configured to your specifications directly from the automaker for the stated MSRP, with no dealer markup.

It could be worthwhile to hold off on a car purchase until inventories normalize, but that may not be an option if you have a pressing need for transportation. For popular models, there's likely to be little room to negotiate on the purchase price. However, trading in your old car may help even out the deal, because many used cars are also fetching high prices. The average price for a used car surpassed \$29,000 in December 2021, after a staggering rise of 27.9% for the year.³

If the lease on your current vehicle is ending soon, here's one last point to keep in mind. The contract's buy-out price — calculated years ago — is likely to be a better deal than purchasing a new or used car at today's elevated prices.

1) Kelley Blue Book, 2022
2–3) CNBC, January 8, 2022

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