Alliance Benefit Consultants

For All Your Insurance Needs

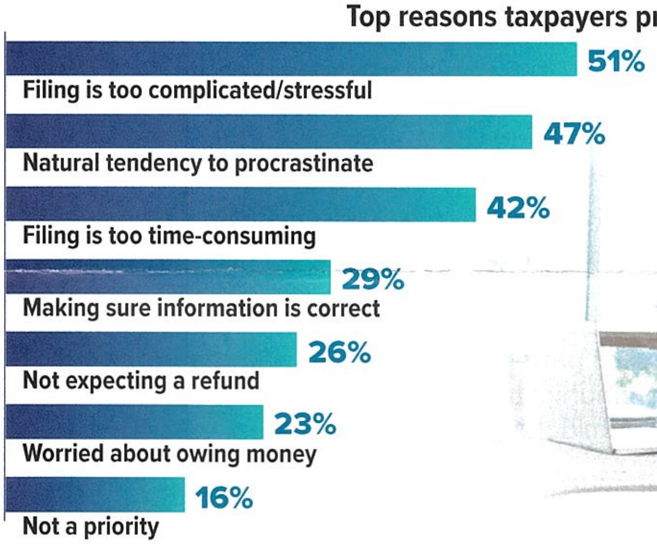
1820 Ridge Road, Suite 201
Homewood, IL 60430
(708) 922-9450
Bob@rs-abc.com
www.alliancebenefitconsultants.com

Bob Scott
Broker

Tax Time: Procrastination Is Common and Can Be Costly

April 15, 2025, is the tax filing deadline for most taxpayers. In a nationwide survey, three out of 10 Americans said they wait until the last minute to file their tax returns, and 50% rush to complete the filing process as quickly as possible. If you procrastinate, you might face an unexpected tax bill with little or no time to come up with the money. It may also be too late to act on opportunities to reduce your tax burden. In fact, taking a thoughtful approach to tax planning throughout the year could help you keep more of your earnings and improve your finances.

Top reasons taxpayers procrastinate



Source: Chamber of Commerce, 2024

$3,004

Average refund amount for individual income tax returns filed in 2024 (for tax year 2023)

Source: Internal Revenue Service, 2024

How Savers and Spenders Can Meet in the Middle

Couples who have opposite philosophies regarding saving and spending often have trouble finding common ground, and money arguments frequently erupt. But you can learn to work with — and even appreciate — your financial differences.

Money habits run deep

If you're a saver, you prioritize having money in the bank and investing in your future. You probably hate credit card debt and spend money cautiously. Your spender spouse may seem impulsive, prompting you to think, "Don't you care about our future?" But you may come across as controlling or miserly to your spouse who thinks, "Just for once, can't you loosen up? We need some things!"

Such different outlooks can lead to mistrust and resentment. But are your characterizations fair? Money habits run deep, and have a lot to do with how you were raised and your personal experience. Instead of assigning blame, focus on finding out how each partner's financial outlook evolved.

Saving and spending actually go hand in hand. Whether you're saving for a vacation, a car, college, or retirement, your money will eventually be spent on something. You just need to decide together how and when to spend it.

Talk through your differences

Sometimes couples avoid talking about money because they are afraid to argue. But scheduling regular money meetings could give you more insight into your finances and provide a forum for handling disagreements, helping you avoid future conflicts.

You might not have an equal understanding of your finances, so start with the basics. How much money is coming in and how much is going out? Next, work on discovering what's important to each of you.

To help ensure a productive discussion, establish some ground rules. For example, you might set a time limit, insist that both of you come prepared, and take a break if the discussion becomes too heated. Communication and compromise are key. Don't just assume you know what your spouse is thinking — ask, and keep an open mind.

Here are some questions to get started.

- What does money represent to you? Security? Freedom? The opportunity to help others?
- What are your short-term and long-term savings goals? Why are these important to you?
- How comfortable are you with debt? This could include mortgage debt, credit card debt, and loans.
- Who should you spend money on? Do you agree on how much to give to your children or spend on gifts to family members, friends, or charities?
- What rules would you like to apply to purchases? For example, you might set a limit on how much one spouse can spend without consulting the other.
- Would you like to set aside some discretionary money for each of you? That could help you feel more free to save or spend those dollars without having to justify your decision.

Agree on a plan

Once you've explored what's important to you, create a concrete budget or spending plan that will help keep you on the same page. For example, to account for both perspectives, you could make savings an "expense" and also include a "just for fun" category. If a formal budget doesn't work for you, find other ways to blend your styles, such as automating your savings or bill paying, prioritizing an emergency account, or agreeing to put specific percentages of your income toward wants, needs, and savings.

And track your progress. Scheduling money dates to go over your finances will give you a chance to celebrate your successes or identify what needs to improve. Be willing to make adjustments if necessary. It's hard to break out of patterns, but with consistent effort and good communication, you'll have a strong chance of finding the middle ground.

What's Your Money Style?

Saver

Routinely sets aside money or avoids spending it

Spender

Makes purchases right away or buys things easily

Planner

Thinks through expenses; makes money decisions ahead of time

Impulsive

Immediate desires often influence money choices

Worrier

Second-guesses financial decisions; regularly imagines worst-case scenarios

Confident

Self-assured when making financial decisions

Source: Consumer Financial Protection Bureau

Why Renters Should Have Their Own Insurance

A recent survey found that 35% of Gen Z adults pay for a cellphone protection plan, but only 21% have renters insurance.[1] Young renters who are just striking out on their own may not realize that a landlord's insurance policy typically will not provide financial protection against the destruction or loss of the tenants' possessions.

Renters insurance provides protection for loss of personal possessions resulting from fire, smoke, windstorm, lightning, vandalism, theft, an explosion, or a water problem. (Damage from flooding, however, is not covered.) A renters policy also provides liability protection in the event someone is injured in the home; and if the home becomes unlivable due to a covered peril, renters coverage may pay for the renters' living expenses while the property is being repaired.

There are two basic types of renters insurance:

- **Actual cash value** pays to replace possessions minus depreciation — a reduction in value due to age and use — up to the coverage limits of the policy.
- **Replacement cost** pays the actual cost of replacing possessions with no reduction for depreciation (up to the policy limits), but premiums are typically higher.

The average cost of a renters policy nationwide is less than $200 per year.[2] If you rent your home, you may want to consult an insurance professional to explore your coverage options.

1) National Association of Insurance Commissioners, 2024
2) Insurance Information Institute, 2024 (2021 data, most recent available)

The Lock-In Effect: Will It Ever Let Go of the Housing Market?

Since 2022, many homeowners have been reluctant to sell and move because they would have to finance their next homes at much higher rates than they pay on their current mortgages. According to a federal analysis, this widespread conundrum — known as the *lock-in effect* — has contributed to a nationwide housing shortage and a steep rise in home prices. Geographies with high home values, and affluent borrowers with larger mortgages, appear to be more sensitive to the lock-in effect.[1]

In the second quarter of 2024, the average mortgage had a fixed rate that was 2.54 percentage points lower than the current market rate for similar loans. This was below the peak of 3.06 percentage points reached near the end of 2023 but still much greater than the 0.86 percentage-point difference in the second quarter of 2022.[2]

Here's a look at several market trends that may influence the decisions of homeowners and buyers in the coming months.

Home prices

The median U.S. home price rose nearly 40% between the beginning of 2021 and the record high posted in the summer of 2024 before ticking down in the fall and winter (when the market typically slows). In the third quarter of 2024, nationwide home price growth slowed to 3.1% compared with the previous year, but about 13% of metro areas saw prices fall. Local market conditions can vary greatly from one place to another.[3]

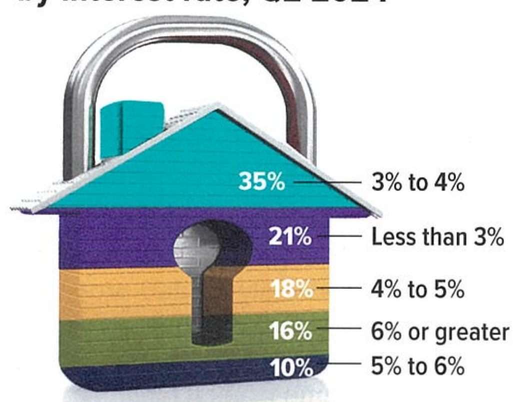
Mortgage rates

The Federal Reserve began to cut the benchmark federal funds rate in September 2024, a long-awaited shift that many people hoped would usher in lower mortgage rates. But the rates for 30-year fixed mortgages (which tend to track the yield on the 10-year Treasury note) are influenced by a mix of complex factors that includes Fed policies, longer-term inflation expectations, and government bond market dynamics, so they could stay elevated for some time. The average rate for a 30-year fixed mortgage was still hovering above 6.5% in early January 2025.[4]

Supply surge

While higher prices and mortgage rates have made homes less affordable and pushed many first-time buyers out of the market, October 2024 marked the 12th straight month of inventory growth. The number of homes for sale was 29.2% above the previous year, the highest level since December 2019.[5]

Share of outstanding mortgages by interest rate, Q2 2024



Source: Realtor.com, October 2024 (analysis of data from FHFA National Mortgage Database; percentages rounded to the nearest whole number)

This means that qualified borrowers and downsizing or move-up buyers with plenty of cash may find more desirable options to choose from in their target price range and in some cases may wield more negotiating power.

The lock-in effect has already begun to ease slightly because some households want or need to sell regardless of current rates. Although it's possible that the lock-in effect may linger to some degree for years to come, it could fade more quickly if mortgage rates fall significantly.

1–2) Federal Housing Finance Agency, 2024
3) National Association of Realtors, 2024
4) Freddie Mac, January 2025
5) Realtor.com, November 2024

Home Appliance Economics

As a category, the prices of home appliances declined 12% from the beginning of 2013 to the end of 2023, despite having lots of convenient new features. The flip side is that the cost of repairing today's complicated appliances has gone through the roof. Even worse, many homeowners are convinced appliances have become less reliable and don't last as long.[1]

Here are three things to consider when you are facing appliance-buying decisions.

Should I fix or replace a faulty appliance?

If your appliance malfunctions while it is still under the manufacturer's warranty, the repair may be covered, but you should use a factory-authorized repair shop if you don't want to risk voiding the warranty. Service calls can cost $100 or more just to bring a tech to the door. If a broken appliance is approaching 10 years old, or the cost to repair it will be more than half the price of a new one, replacement is often recommended.[2]

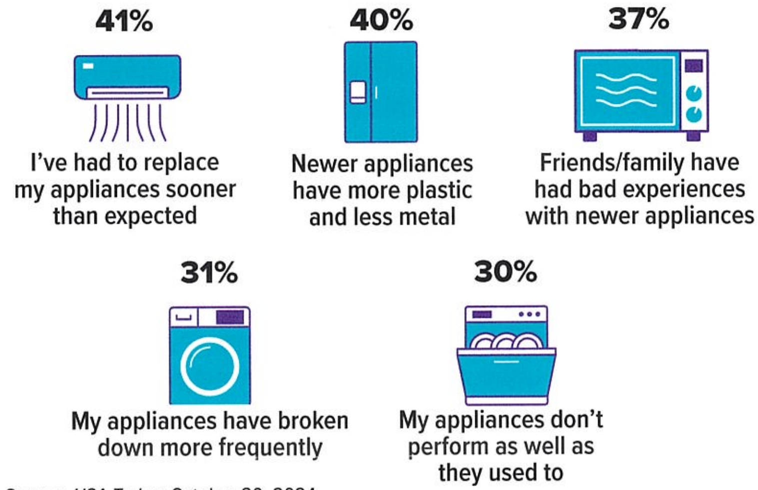
Should I pay extra to extend the warranty?

Extended warranties (or service contracts) generally cover service and repairs after the manufacturer's warranty expires. Ask yourself whether you are more comfortable paying a fixed monthly cost than potentially dealing with an unexpectedly high repair bill that eats into your emergency fund or could end up on your credit card. Each warranty is different, so you will have to read the contract carefully to find out what's covered and what's not.

Will I get a rebate if I buy a new energy-efficient appliance?

It depends on the appliance, where you live, and your income. New federally funded programs that offer rebates on some Energy Star-certified appliances (electric or induction ranges and cooktops, electric ovens, and electric heat pump dryers) have already been launched in some states, while others are taking longer to roll them out. If you are considering buying a new electric appliance, you may want to check into the status of your state's program.[3]

In a 2024 poll, 3 out of 4 consumers said they believe quality of household appliances has declined over time, and nearly 2 out of 3 said they have shorter lifespans. Here's why:



Source: *USA Today*, October 30, 2024

Once the program is up and running, it might not take an extra step to claim a rebate. The retailer (or contractor) may be able to deduct it from the cost at the point of sale. Lower-income households (those earning less than 80% of their area's median income, or AMI) may be eligible to have 100% of the project cost covered, up to $840 per appliance plus $500 for hiring contractors to install them. Those amounts are cut in half for consumers with household incomes between 80% and 150% of AMI. Rebates are not available to households earning more than 150% of AMI. The Fannie Mae website has an *Area Median Lookup Tool* that you can use to help determine your eligibility.[4]

1) *The Wall Street Journal*, February 20, 2024
2) Realtor.com, 2024
3) Energy.gov, 2024
4) *The New York Times*, September 11, 2024