TD TOP DOLLAR®
Helping You Make the Most of Your Money.

Alliant
EMPLOYEE BENEFITS

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Emergency Fund Essentials

No matter where you are on your financial journey, an emergency fund is critical. How much is enough?

In general, your goal is to have an emergency fund to pay your essential expenses for 6 to 8 months. You need enough money to cover a big unexpected expense without turning to credit cards. Ideally, you have enough money to get by if you lost your job, for example.

Start saving today. It doesn't have to be a large sum. Even on a tight budget, a small amount adds up over time. Depending on your family's size, skipping a meal out each week could result in saving an extra $160 per month.

Treat saving as a bill. Consider having the amount transferred automatically from your checking account or paycheck. Pay your account every month or every 2 weeks.

Keep your change in a jar. Spare change adds up a lot faster than you think.

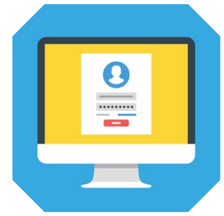
Is the utility bill less than you expected this month? Save the difference.

The method you choose doesn't have to be perfect. As long as you are saving, you are moving in the right direction.

TOPDOLLAR DICTIONARY: CAPITAL GAINS TAX

Capital gains tax is assessed on profits made on the selling of a capital asset such as a stock, bond or a house, where the amount from the sale exceeds the purchase price. The gain is the difference between a higher selling price and a lower purchase price. Conversely, a **capital loss** occurs if the proceeds from the sale of a capital asset are less than the purchase price. A long-term capital gains tax is assessed on assets held for more than a year. The rates are 0%, 15% and 20% based on your income tax bracket. A short-term capital gains tax is assessed on assets held for less than a year. This profit is taxed as ordinary income.

Managing Your Digital Assets



Did you know that if you have ever created a username and password for an online account, you have digital assets? A digital asset is any type of digital information you have stored online or in the cloud. **The average American** has $55,000 in digital assets, according to Kiplinger.

Why do you need to protect your digital assets and how do you do it? Think of how many online accounts you have, including email addresses and social media accounts. It is also important to consider what happens to your accounts after your death.

It's crucial that loved ones can access these accounts after your death to insure someone doesn't steal your information (e.g., assume your identity) once you are gone.

You can manage and protect your digital assets with these steps:

1. Use a **password manager** to keep all of your usernames and passwords in one place, making it easier for your loved ones to access your information if the need arises.
2. If a password manager isn't for you, an **external hard drive** allows you to store all your info in one place without using the internet.
3. Digital assets aren't always included in standard wills. An estate attorney can create **a letter of instruction** with specific directions on what to do with your accounts after you are gone.

Give yourself and your loved ones peace of mind when it comes to your digital presence.

HSA vs. FSA

Health savings accounts (HSAs) are personal savings accounts for health care expenses. The individual owns and controls the money in the account. The money is deposited untaxed, and you can invest it in stocks, bonds and mutual funds. To be eligible, you must have a high-deductible health insurance plan.

The IRS decides how much you can contribute each year. Check **treasury.gov** for current information. In 2020, the contribution limits are $3,550 for individuals and about $7,100 for family coverage. The limits are indexed for inflation and adjusted each year. You can roll over unspent money in your HSA each year.

Flexible spending accounts (FSAs) allow employees to fund qualified medical expenses pretax through salary reduction to pay for out-of-pocket expenses for medical, dental, vision and dependent care (your plan may vary). You can use your FSA to pay for eligible expenses incurred by your spouse or dependents claimed on your tax return even if they are not covered by your health plan.

The maximum annual allocation limits may change annually. The total election amount is available on day 1 of your plan year. After enrollment, your funds are withdrawn automatically from each paycheck for deposit into your account before taxes, which increases take-home pay. You can use FSA funds during the plan year. Many employers allow a 2½-month carryover into the next year or a $500 carryover into the next plan year. Check with your employer to see which rules apply.

Debt Consolidation *Services*

You may have heard of debt consolidation but not the details. Debt consolidation programs usually consist of using 1 loan to pay off smaller loans. They may appear beneficial to borrowers, but these programs have pitfalls.

A debt consolidation program does not eliminate debt; it only changes the terms of repayment. You end up paying more in interest if you use a consolidation loan. If you stretch your payments over a longer time, it is possible your total interest cost will be higher.

Consider this example: Let's say you have $30,000 in unsecured debt, including a 2-year loan for $10,000 at 12%, and a 4-year loan for $20,000 at 10%. Your monthly payment on the $10,000 loan is $517 and $583 on the $20,000 loan, for a total payment of $1,100 per month. The debt consolidation company tells you they can lower your payment to $640 per month and your interest rate to 9% by negotiating with your creditors and rolling the loans together into one.

Sounds great, doesn't it? Who wouldn't want to pay $460 less per month in payments in 6 years?

This may sound okay until you realize how much higher in total your additional payments are: $46,080 to pay off the new loan versus $40,392 for the original loans, even with the lower interest rate of 9%.

This means you paid $5,688 more for the lower payment. Bottom line: Don't be fooled by lower interest rates or smaller payments. Do the math on both payment options to understand the best deal.

TOP**DOLLAR** TIP:
YOUR CREDIT REPORT

Checking your credit report can help you avoid identity theft. It also pays to know what is on your credit report, especially if you want to buy a car or a house. You can download a free credit report once every 12 months from each of the 3 major reporting agencies (Experian, Trans Union and Equifax) at **annualcreditreport.com.**

The Smart Moves Toolkit including this issue's printable download, **Medical Testing at Home,** is at **personalbest.com/extras/20V5tools.**

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Two Perimeter Park South, Suite 160 East, Birmingham, Alabama 35243 • 800-871-9525 • fax 205-437-3084 • e-mail: PBeditor@ebix.com • website: www.personalbest.com.