



Financial planner

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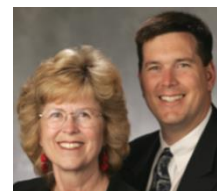
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stocks and bonds will have a big impact on your long-term returns.

August 2021 Newsletter

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Tips to Help You Start Saving for Retirement

It's never too late to start, but the sooner you begin saving, the more time your money has to grow. Gains each year build on the prior year's gains - that's the power of compounding - and the best way to accumulate wealth. These ten tips will help you get started:

Set Realistic Goals. Project your retirement expenses based on your needs, not rules of thumb. Be honest about how you want to live in retirement and how much it will cost. Then calculate how much you must save to supplement Social Security and other sources of retirement income.

A 401(k) Is One Of The Easiest And Best Ways To Save For Retirement. Contributing money to a 401(k) gives you an immediate tax deduction, tax-deferred growth on your savings, and - usually - a matching contribution from your company.

An IRA Can Also Give Your Savings A Tax-Advantaged Boost. Like a 401(k), IRAs offer huge tax breaks. There are two types of IRAs. The first is a traditional IRA offers tax-deferred growth, meaning you pay taxes on your investment gains only when you make withdrawals. If you qualify, your contributions may be deductible. The second is a Roth IRA. By contrast, it doesn't allow for deductible contributions but offers tax-free growth, meaning you owe no tax when you make withdrawals, but contributions are not deductible.

Focus On Your Asset Allocation More Than On Individual Picks. How you divide your portfolio between

Don't Move Too Heavily into Bonds, Even In Retirement. Many retirees stash most of their portfolio in bonds for the income. Unfortunately, over 10 to 15 years, inflation can easily erode the purchasing power of bonds' interest payments.

Making Tax-Efficient Withdrawals Can Stretch the Life Of Your Nest Egg. Once you're retired, your assets can last several more years if you draw on money from taxable accounts first and let tax-advantaged accounts compound for as long as possible.

Working Part-Time in Retirement Can Help In More Ways Than One. Working keeps you socially engaged and reduces the amount of your nest egg you must withdraw on an annual basis once you retire.

Other Creative Ways to Get More Mileage Out Of Retirement Assets. You might consider relocating to an area with lower living expenses or transforming the equity in your home into income by taking out a reverse mortgage.

Consult a Tax Professional. A tax and accounting professional will evaluate your financial situation (i.e., income and expenses), evaluate your tax situation, and help you figure out how much you can put towards your retirement savings.

Avoiding 401k Mistakes

Relatively few people have pensions to look forward to in retirement these days, so if you're fortunate enough to have a 401(k)-plan available to you through your

JUST SPEND THE MONEY

The Treasury Department distributed \$15 billion in July 2021 and has distributed another \$15 billion this month (through Friday 8/13/21) per the expanded Child Tax Credit (CTC) that was part of the “American Rescue Plan Act” that was signed into law by President Joe Biden on 3/11/21. The payments are currently scheduled to continue through the end of 2021 (source: American Rescue Plan Act).



job, aim to make the most of it. And avoid these costly blunders:

- **Failing to participate:** The worst 401(k) mistake is not having one. You might amass hundreds of thousands of dollars for retirement via a 401(k) plan, but not if you don't sign up for one or contribute to it regularly.
- **Not maxing out the match:** At a minimum, contribute enough to get all available matching dollars that your employer may offer.
- **Not contributing aggressively:** To build a hefty account, you should be making sizable contributions each year. For many people, even 10% of income may not be enough. Crunch your own numbers to see how much you need to sock away regularly to reach your goals.
- **Borrowing money from your account:** Any money you take out for a few years will not be working to grow for you, shrinking your account's future value.
- **Cashing out early:** Letting money grow for many years in a 401(k) can build a valuable nest egg for retirement. Don't short-change your future by cashing out when you leave a job. Roll that money into your new employer's 401(k) plan – or into an IRA.
- **Investing too conservatively:** Typically, 401(k) plans offer a limited number of investment options, most rather conservative. Read up on your choices and choose the ones that should serve you best. If you're still many years from retirement, for example, you might stick entirely or mostly with stocks, as they tend to offer higher returns over the long run. An S&P 500 index fund is a great choice for stocks.
- **Not designating beneficiaries:** Prevent future headaches by specifying who gets your 401(k) assets when you die. Update your beneficiaries as necessary, too.

Key Retirement and Tax Numbers for 2021

Every year, the Internal Revenue Service announces cost-of-living adjustments that affect contribution limits for retirement plans and various tax deduction, exclusion, exemption, and threshold amounts. Here are a few of the key adjustments for 2021.

Estate, Gift, and Generation-Skipping Transfer Tax

- The annual gift tax exclusion (and annual generation-skipping transfer tax exclusion) for 2021 is \$15,000, the same as in 2020.
- The gift and estate tax basic exclusion amount (and generation-skipping transfer tax

exemption) for 2021 is \$11,700,000, up from \$11,580,000 in 2020.

Standard Deduction

- A taxpayer can generally choose to itemize certain deductions or claim a standard deduction on the federal income tax return. In 2021, the standard deduction is:
 - \$12,550 (up from \$12,400 in 2020) for single filers or married individuals filing separate returns
 - \$25,100 (up from \$24,800 in 2020) for married individuals filing joint returns
 - \$18,800 (up from \$18,650 in 2020) for heads of households
- The additional standard deduction amount for the blind or aged (age 65 or older) in 2021 is:
 - \$1,700 (up from \$1,650 in 2020) for single filers and heads of households
 - \$1,350 (up from \$1,300 in 2020) for all other filing statuses

Special rules apply if you can be claimed as a dependent by another taxpayer.

IRAs

The combined annual limit on contributions to traditional and Roth IRAs is \$6,000 in 2021 (the same as in 2020), with individuals aged 50 and older able to contribute an additional \$1,000. The limit on contributions to a Roth IRA phases out for certain modified adjusted gross income (MAGI) ranges. For individuals who are covered by a workplace retirement plan, the deduction for contributions to a traditional IRA also phases out for certain MAGI ranges. (The limit on nondeductible contributions to a traditional IRA is not subject to phase-out based on MAGI.)

Making College More Affordable

Taking Advantage of a 529 Account

Scholarships and grants are a fantastic resource that can help you pay for higher education. If your child is young, or even in their teens, and you're already thinking about how you're going to afford college without sinking yourself (and your child) into debt, 529 saving accounts can be an incredibly helpful tool.

These tax-advantaged savings accounts are specifically geared toward education and allow you to take advantage of any potential growth. These accounts are funded with after-tax dollars, interest compounds tax-free, and funds can be withdrawn without being taxed for qualified expenses. Qualified expenses include: college tuition, supplies, room and board, equipment, vocational or technical training, K-12 private school tuition, apprentice programs and fees, and student-loan repayment.

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These funds never expire, and if you open a 529 savings account and your child elects not to pursue further education or if you have funds left over after one child graduates, the beneficiary can be changed.

Avoiding Financial Aid Scams

As with most things, there are, unfortunately, scams related to grants and scholarships. Once you start branching out from local and federal resources, you'll need to be more vigilant about not falling for financial aid scams. Desperation over the high cost of college and inexperience may make some students vulnerable to scams.

Be skeptical of any emails offering you a scholarship or grant that you never applied for. Stay away from any applications asking for a fee, bank information, Social Security numbers, or other sensitive information. Any messaging that pressures you to act now or guarantees you money are both major red flags. In general, you should stick to well-known organizations and websites, and keep an eye out for anything that looks or sounds suspicious. If it sounds too good to be true, it likely is.

How Do 529s and Financial Aid Coexist?

It's important to note that 529 accounts are considered an asset under the financial aid formula that FAFSA uses to determine need, but it only has a small impact on eligibility. 529 accounts owned by parents or students could potentially impact aid by up to 5.64%—a small price to pay when you consider all the other benefits of a 529. Plans owned by grandparents or other relatives could impact need-based financial aid by up to 50%. To help mitigate this potential impact, grandparents can transfer the ownership of the 529 plan to the parent; wait to use the funds until the second half of the student's sophomore year (because FAFSA is based on income and tax information for the prior two years and won't impact future years); or use the funds after a student graduates to pay down student loan debt. If your child does end up receiving a scholarship of some sort, there is a clause that allows you to withdraw up to the amount of that scholarship and use the money for any purpose penalty-free, but you'll still have to pay income tax on the earnings.

What if I Still Need More Money?

Despite all the financial aid, grants, scholarships, and saving you might do, some students will inevitably end up still needing to consider loans. Once students fill out the FAFSA, they will likely be

offered federal student loans in the financial-aid package from their school(s). You can accept all, partial, or none of the loans offered. Interest rates on federal student loans are fixed and usually lower than on private loans. Repayments don't begin until after you leave school or drop below a part-time student status. These loans often offer flexible repayment plans and may even be forgiven in some cases or if you work in specific careers (education, medical fields, nonprofits, etc.). College is expensive, but knowing where to find financial aid, grants, and scholarships can help parents and students make more informed financial decisions.

Hostage Data: Ransomware and Protecting Your Digital Information

On May 7, 2021, the Colonial Pipeline, which carries almost half of the East Coast's fuel supply from Texas to New Jersey, shut down operations in response to a ransomware attack. Colonial paid a \$4.4 million ransom not long after discovering the attack, and the pipeline was reopened within a week. While there was enough stored fuel to weather the outage, panic buying caused gasoline shortages on the East Coast and pushed the national average price of gasoline over \$3.00 per gallon for the first time since 2014.

Ransomware is not new, but the Colonial Pipeline incident demonstrated the risk to critical infrastructure and elicited strong response from the federal government. Remarkably, the Department of Justice recovered most of the ransom, and the syndicate behind the attack, known as DarkSide, announced it was shutting down operations. The Department of Homeland Security issued new regulations requiring owners and operators of critical pipelines to report cybersecurity threats within 12 hours of discovery, and to review cybersecurity practices and report the results within 30 days. On a broader level, the incident increased focus on government initiatives to strengthen the nation's cybersecurity and create a global coalition to hold countries that shelter cybercriminals accountable.



Malicious Code

Ransomware is malicious code (malware) that infects the victim's computer system, allowing the perpetrator to lock the files and demand a ransom in return for a digital key to restore access. Some attackers may also threaten to reveal sensitive data. There were an estimated 305 million



SKIP THE PUMP

There are 43,600 electric vehicle (EV) charging stations in the USA. The \$1.2 trillion infrastructure bill passed by the Senate allocates \$7.5 billion for additional charging stations (source: DOE).

million ransomware attacks globally in 2020, a 62% increase over 2019. More than 200 million of them were in the United States.

The recent surge in high-profile ransomware attacks represents a shift by cybercriminal syndicates from stealing data from “data-rich” targets such as retailers, insurers, and financial companies to locking data of businesses and other organizations that are essential to public welfare. A week after the Colonial Pipeline attack, JBS USA Holdings, which processes one-fifth of the U.S. meat supply, paid an \$11 million ransom. Health-care systems, which spend relatively little on cybersecurity, are a prime target, jeopardizing patient care. Other common targets include state and local governments, school systems, and private companies of all sizes. Ransomware gangs, mostly located in Russia and other Eastern European countries, typically set ransom demands in relation to their perception of the victim’s ability to pay, and high-dollar attacks may be resolved through negotiations by a middleman and a cyber insurance company. Although the FBI discourages ransom payments, essential businesses and organizations may not have time to reconstruct their computer systems, and reconstruction can be more expensive than paying the ransom.

Protecting Your Data

While major ransomware syndicates focus on more lucrative targets, plenty of cybercriminals prey on individual consumers, whether locking data for ransom, gaining access to financial accounts, or stealing and selling personal information. Here are some tips to help make your data more secure. *Use strong passwords and protect them.* An analysis of the Colonial Pipeline attack revealed that the attackers gained access through a leaked password to an old account with remote server access. Strong passwords are your first line of defense. Use at least 8 to 12 characters with a mix of upper- and lower-case letters, numbers, and symbols. Longer and more complex passwords are better. Do not use personal information or dictionary words.

One technique is to use a passphrase that you can remember and adapt. For example, Jack and Jill went up the hill to fetch a pail of water could be J&jwuth!!2faPow. Though it’s tempting to reuse a strong password, it is safer to use different passwords for different accounts. Consider a password manager program that generates random passwords, which you can access

through a strong master password. Do not share or write down your passwords.

No easy answers. Be careful when establishing security questions that can be used for password recovery. It may be better to use fictional answers that you can remember. If a criminal can guess your answer through available information (such as an online profile), he or she can reset your password and gain access to your account.

Take two steps. Two-step authentication, typically a text or email code sent to your mobile device, provides a second line of defense even if a hacker has access to your password.

Think before you click. Ransomware and other malicious code are often transferred to the infected computer through a “phishing” email that tricks the reader into clicking on a link. Never click on a link in an email or text unless you know the sender and have a clear idea where the link will take you.

Install security software. Install antivirus software, a firewall, and an email filter — and keep them updated. Old antivirus software won’t stop new viruses.

Back up your data. Back up regularly to an external hard drive. For added security, disconnect the drive between backups.

Keep your system up-to-date. Use the most recent operating system that can run on your computer and download security updates. Most ransomware attacks target vulnerable operating systems and applications.

If you see a notice on your computer that you have been infected by a virus or that your data is being held for ransom, it’s more likely to be a fake pop-up window than an actual attack. These pop-ups typically have a phone number to call for “technical support” or to make a payment. Do not call the number and do not click on the window or any links. Try exiting your browser and restarting your computer. If you continue to receive a notice or your data is really locked, contact a legitimate technical support provider.

A Look Forward

- Existing Home Sales will be released on August 23rd, with expectations of a month-over-month decrease for the month of July of -0.5%.
- The second reading of Q2 Gross Domestic Product (GDP) will be announced on August 26th and economists expect a revision upward to 6.7% from 6.5%.
- Personal Income and Spending will be released on August 27th, economists expect income to increase +0.2% and spending to increase +0.4% for the month of July.

WILL IT BE ABOVE AVERAGE? –

The **average** change that **American homeowners** are anticipating in the value of their **primary residences** over the upcoming 12 months is a gain of **5.1%**, more than the actual gain of **4.1% per year** that has been achieved over the last **20 years through April 30, 2021** (source: July 2021 Survey of Consumer Expectations Housing Survey, Federal Housing Finance Agency, BTN Research).

INSIGHT: In the housing market, low inventory continues to put pressure on prices. According to the Saint Louis Federal Reserve, the mean home price in the United States is now \$374,000, the highest on record. This can be attributed to the Fed keeping short-term interest rates near zero, coupled with their monthly purchasing of \$40 billion in mortgage-backed securities allowing buyers to also lock in low long term mortgage rates. However, as a result of rising prices, first time buyers may be forced out of the market, which is why we could see a decrease in existing home sales. The second reading of GDP for the second quarter is expected to show continued strength in economic activity. As the impact of stimulus payments continue to wane, we would expect personal income and savings to trend downward. Lastly, COVID related disruptions to supply chains may prop up PCE, the Federal Reserves preferred reading of inflation.



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