Fall 2020

Financial planner

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Fall 2020 Newsletter Topics

$1 Million FDIC Insurance Protection Added to Cash Sweep Programs

Advisor Group is proud to announce an additional one million dollars of FDIC insurance added to the Bank Deposit Sweep Program (BDSP) and the Insured Cash Account Program (ICAP), effective immediately.

FDIC Insurance Enhancement Key Facts:

- Increase of $1 Million Insurance Coverage:
  - Per individual per registration type: $1.5 Million increases to $2.5 Million.
  - For Joint Accounts per registration type: $2.5 Million increases to $5 Million.
- Applicable to both Pershing and Fidelity/NFS clearing.
- Applicable to both Brokerage and Advisory accounts.
- This change does not require any client notifications from the firm.
- There is no action required by the financial professionals.

Tax Breaks for Teachers and Educators

While many schools are switching to hybrid or remote learning models, teachers and other educators should remember that they can still deduct certain unreimbursed expenses such as classroom supplies, training, and travel. Deducting these expenses helps reduce the amount of tax owed when filing a tax return.

To qualify for the deduction, the taxpayer must be a kindergarten through grade 12 teacher, instructor, counselor, principal, or aide. They must also work at least 900 hours a school year in a school that provides elementary or secondary education as determined under state law.

Teachers and other educators can also take advantage of various education tax benefits for ongoing educational pursuits such as the Lifetime Learning Credit or, in some instances depending on their circumstances, the American Opportunity Tax Credit.

How the Educator Expense Deduction Works

Educators can deduct up to $250 of unreimbursed business expenses. If both spouses are eligible educators and file a joint return, they may deduct up to $500, but not more than $250 each. The educator expense deduction is available even if an educator doesn't itemize their deductions. To take advantage of this deduction, the taxpayer must be a kindergarten through grade 12 teacher, instructor, counselor, principal or aide for at least 900 hours during a school year in a school that provides elementary or secondary education as determined under state law.

Those who qualify can deduct costs of books, supplies, computer equipment, and software, classroom equipment, and supplementary materials used in the classroom. Expenses for participation in professional development courses are also deductible. Athletic supplies qualify if used for courses in health or physical education. *(continued…)*

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Keep Good Records

Educators should keep detailed records of qualifying expenses noting the date, amount, and purpose of each purchase. This will help prevent a missed deduction at tax time. Taxpayers should also keep a copy of their tax returns for at least three years. Copies of tax returns may be needed for many reasons. A tax transcript summarizes return information and includes adjusted gross income and available free of charge from the IRS.

Dirty Dozen Tax Scams: 2020 Edition

The "Dirty Dozen" is a list of common tax scams that target taxpayers. Compiled and issued annually every year by the IRS, this year it includes many aggressive and evolving schemes related to coronavirus tax relief, including Economic Impact Payments. The criminals behind these bogus schemes view everyone as potentially easy prey and everyone should be on guard, especially vulnerable populations such as the elderly.

While tax-related scams usually increase at tax time, this year, scam artists are using pandemic to try stealing money and information from honest taxpayers. As such, taxpayers should refrain from engaging potential scammers online or on the phone.

Here are this year's "Dirty Dozen" tax scams:

1. Phishing

Taxpayers should be alert to potential fake emails or websites looking to steal personal information. IRS Criminal Investigation has seen a tremendous increase in phishing schemes utilizing emails, letters, texts, and links. These phishing schemes are using keywords such as "coronavirus," "COVID-19" and "Stimulus" in various ways.

These schemes are blasted to large numbers of people to get personal identifying information or financial account information, including account numbers and passwords. Most of these new schemes are actively playing on the fear and unknown of the virus and the stimulus payments.

Don't click on links claiming to be from the IRS and be very wary of emails and websites as they may be nothing more than scams to steal personal information. As a reminder, the IRS will never initiate contact with taxpayers via email about a tax bill, refund or Economic Impact Payments.

2. Fake Charities

Criminals frequently exploit natural disasters and other situations such as the current COVID-19 pandemic by setting up fake charities to steal from well-intentioned people trying to help in times of need. Fake charity scams generally rise during disaster times like these.

Fraudulent schemes normally start with unsolicited contact by telephone, text, social media, e-mail, or in-person using a variety of tactics. Bogus websites use names similar to legitimate charities to trick people to send money or provide personal financial information. They may even claim to be working for or on behalf of the IRS to help victims file casualty loss claims and get tax refunds.

Taxpayers should be particularly wary of charities with names like nationally known organizations. Legitimate charities will provide their Employer Identification Number (EIN) if requested, which can be used to verify their legitimacy. Taxpayers can find legitimate and qualified charities using the search tool on IRS.gov.

3. Threatening Impersonator Phone Calls

IRS impersonation scams come in many forms such as receiving threatening phone calls from a criminal claiming to be with the IRS where the scammer attempts to instill fear and urgency in the potential victim. These types of phone scams or "vishing" (voice phishing) pose a major threat. Scam phone calls, including those threatening arrest, deportation or license revocation if the victim doesn't pay a bogus tax bill, are reported to the IRS year-round and are very common. These calls often take the form of a "robocall" (a text-to-speech recorded message with instructions for returning the call).

The fact is, the IRS will never threaten a taxpayer or surprise him or her with a demand for immediate payment. Nor will it threaten, ask for financial information over the phone, or call about an unexpected refund or Economic Impact Payment. Taxpayers should contact the real IRS or consult a tax and accounting professional if they are worried there is a tax problem.

4. Social Media Scams

Social media enables anyone to share information with anyone else on the Internet. Scammers use that information as ammunition for a wide variety of scams. As such, taxpayers need to protect themselves against social media scams, which frequently use events like COVID-19 to try tricking people. These methods of trickery include emails where scammers impersonate someone's family, friends or co-workers.

Social media scams have also led to tax-related identity theft. The basic element of social media scams is convincing a potential victim that he or she is dealing with a person close to them that they trust via email, text or social media messaging.

Using personal information, a scammer may email a potential victim and include a link to *(continued…)*

Did you know?

The March 27 **CARES Act** allows (but does not require) American seniors to skip the **required minimum distribution** (RMD) taken from their retirement accounts in 2020. RMDs began the year in which you reached age 70½ **if you hit 70½ in 2019 or earlier**, or they begin in the year that **you reach age 72**. The change to **age 72 as the starting point** for distributions was included in the **SECURE Act** that was signed into law on Dec. 20, 2019. Please consult a tax professional for details (source: CARES Act, BTN Research).

something of interest to the recipient which contains malware intended to commit more crimes. Scammers also infiltrate their victim's emails and cell phones to go after their friends and family with fake emails that appear to be real and text messages soliciting, for example, small donations to fake charities that are appealing to the victims.

5. Economic Impact Payment or Refund Theft

Great strides have been made against refund fraud and theft in recent years, but they remain an ongoing threat. Due to the coronavirus pandemic, this year, criminals turned their attention to stealing Economic Impact Payments as provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Much of this stems from identity theft whereby criminals file false tax returns or supply other bogus information to the IRS to divert refunds to wrong addresses or bank accounts.

Recent victims of this type of scam include residents of nursing homes and other care facilities when concerns were raised that people and businesses may be taking advantage of vulnerable populations who received the payments. Economic Impact Payments generally belong to the recipients, not the organizations providing the care.

As a reminder, economic impact payments do not count as a resource for determining eligibility for Medicaid and other federal programs They also do not count as income in determining eligibility for these programs.

6. Senior Citizen Fraud

Seniors are more likely to be targeted and victimized by scammers than other segments of society and fraud targeting older Americans is pervasive. Financial abuse of seniors is a problem among personal and professional relationships but seems to be less of a problem when the service provider knows that a trusted friend or family member is keeping an eye out and taking an interest in the senior's affairs.

Also, as older Americans become more comfortable with evolving technologies, such as social media, scammers have moved in to take advantage. Phishing scams linked to Covid-19, for example, have been a major threat this filing season. Seniors need to be alert for a continuing surge of fake emails, text messages, websites, and social media attempts to steal personal information.

7. Scams Targeting Non-English Speakers

IRS impersonators and other scammers also target groups with limited English proficiency. These scams target those potentially receiving an Economic Impact Payment and request personal or financial information from the taxpayer.

Phone scams are often threatening in nature and pose a major threat to people with limited access to information, including individuals not entirely comfortable with the English language. These calls frequently take the form of a "robocall" (a text-to-speech recorded message with instructions for returning the call), but in some cases may be made by a real person. These con artists may have some of the taxpayer's information, including their address, the last four digits of their Social Security number or other personal details, which makes the phone calls seem more legitimate.

One of the most common scams is the IRS impersonation scam where a taxpayer receives a telephone call threatening jail time, deportation or revocation of a driver's license from someone claiming to be with the IRS. Taxpayers who are recent immigrants often are the most vulnerable and should ignore these threats and not engage the scammers.

8. "Ghost" Tax Return Preparers

Selecting the right return preparer is important because they are entrusted with a taxpayer's sensitive personal data. Most tax professionals provide honest, high-quality service, but dishonest preparers pop up every filing season committing fraud, harming innocent taxpayers or talking taxpayers into doing illegal things they regret later.

Taxpayers should always avoid so-called "ghost" preparers who expose their clients to potentially serious filing mistakes as well as possible tax fraud and risk of losing their refunds. With many tax professionals impacted by COVID-19 and their offices potentially closed, taxpayers should take particular care in selecting a credible tax preparer.

Ghost preparers don't sign the tax returns they prepare. They may print the tax return and tell the taxpayer to sign and mail it to the IRS. For e-filed returns, the ghost preparer will prepare but not digitally sign as the paid preparer. By law, anyone who is paid to prepare or assists in preparing federal tax returns must have a Preparer Tax Identification Number (PTIN). Paid preparers must sign and include their PTIN on returns.

Unscrupulous preparers may also target those without a filing requirement and may or may not be due to a refund. They promise inflated refunds by claiming fake tax credits, including education credits, the Earned Income Tax Credit (EITC), and others. Taxpayers should avoid preparers who ask them to sign a blank return, promise a big refund before looking at the taxpayer's records or charge fees based on a percentage of the refund.

Taxpayers are ultimately responsible for the accuracy of their tax return, regardless of who prepares it.

9. Offer in Compromise (OIC) Mills

Taxpayers need to be wary of misleading tax debt resolution companies that can exaggerate chances to settle tax debts for "pennies on the dollar" through an Offer in Compromise (OIC). *(continued…)*

These offers are available for taxpayers who meet very specific criteria under the law to qualify for reducing their tax bill. But unscrupulous companies oversell the program to unqualified candidates so they can collect a hefty fee from taxpayers already struggling with debt.

These scams are commonly called OIC "mills," which cast a wide net for taxpayers, charge them pricey fees and churn out applications for a program they're unlikely to qualify for. Although the OIC program helps thousands of taxpayers each year reduce their tax debt, not everyone qualifies for an OIC. In Fiscal Year 2019, there were 54,000 OICs submitted to the IRS. The agency accepted 18,000 of them.

10. Fake Payments with Repayment Demands

Criminals are always finding new ways to trick taxpayers into believing their scam including putting a bogus refund into the taxpayer's actual bank account. Here's how the scam works:

A con artist steals or obtains a taxpayer's data including Social Security number or Individual Taxpayer Identification Number (ITIN) and bank account information. The scammer files a bogus tax return and has the refund deposited into the taxpayer's checking or savings account. Once the direct deposit hits the taxpayer's bank account, the fraudster places a call to them, posing as an IRS employee. The taxpayer is told that there's been an error and that the IRS needs the money returned immediately or penalties and interest will result. The taxpayer is told to buy specific gift cards for the amount of the refund.

The IRS will never demand payment by a specific method. There are many payment options available to taxpayers and there's also a process through which taxpayers have the right to question the amount of tax we say they owe. Anytime a taxpayer receives an unexpected refund and a call from us out of the blue demanding a refund repayment, they should reach out to their banking institution and the IRS.

11. Payroll and HR Scams

Tax professionals, employers, and taxpayers need to be on guard against phishing designed to steal Form W-2s and other tax information. These are Business Email Compromise (BEC) or Business Email Spoofing (BES). This is particularly true with many businesses closed and their employees working from home due to COVID-19. Currently, two of the most common types of these scams are the gift card scam and the direct deposit scam.

Gift card scam. In the gift card scam, a compromised email account is often used to send a request to purchase gift cards in various denominations.

Direct deposit scam. In the direct deposit scheme, the fraudster may have access to the victim's email account (also known as an email account compromise or "EAC"). They may also impersonate the potential victim to have the organization change the employee's direct deposit information to reroute their deposit to an account the fraudster controls.

BEC/BES scams have used a variety of ploys to include requests for wire transfers, payment of fake invoices as well as others. In recent years, the IRS has observed variations of these scams where fake IRS documents are used to lend legitimacy to the bogus request. For example, a fraudster may attempt a fake invoice scheme and use what appears to be a legitimate IRS document to help convince the victim.

The Direct Deposit and other BEC/BES variations should be forwarded to the Federal Bureau of Investigation Internet Crime Complaint Center (IC3) where a complaint can be filed. The IRS requests that Form W-2 scams be reported to phishing@irs.gov (Subject: W-2 Scam).

12. Ransomware

Ransomware is malware targeting human and technical weaknesses to infect a potential victim's computer, network, or server and is a rapidly growing cybercrime. It doesn't just affect individuals either. Recently, Garmin Ltd., a GPS, and fitness-tracker company was the victim of a ransomware attack and asked to pay $10 million in "ransom" to restore its systems.

Malware is a form of invasive software that is often frequently inadvertently downloaded by the user. Once downloaded, it tracks keystrokes and other computer activity. Once infected, ransomware looks for and locks critical or sensitive data with its encryption. In some cases, entire computer networks can be adversely impacted.

Victims generally aren't aware of the attack until they try to access their data, or they receive a ransom request in the form of a pop-up window. These criminals don't want to be traced so they frequently use anonymous messaging platforms and demand payment in virtual currency such as Bitcoin.

Cybercriminals might use a phishing email to trick a potential victim into opening a link or attachment containing the ransomware. These may include email solicitations to support a fake COVID-19 charity. Cybercriminals also look for system vulnerabilities where human error is not needed to deliver their malware.

If you think you've been a victim of a tax scam, please contact the office immediately.

Potential Pandemic Positives

A crisis can leave us better or worse. As most of us long for things to return to the way they were before COVID-19, observers from various fields believe our lives may actually improve in some areas after the virus is controlled, such as:

Work: Many employers have been pleasantly surprised by the productivity of employees working remotely, and over half of teleworkers prefer working at home.[1] Companies that allow more employees to work from home permanently will need less office space, reducing overhead. Eliminating geographical limitations will widen their pool of qualified applicants.

Business: As comfort with virtual meetings has grown, businesses will probably spend less on travel going forward. Recent supply chain disruptions have companies considering bringing manufacturing closer to home and using better software-based management. Since machines don't fall ill, businesses will employ more automation – hopefully, retraining employees for new positions providing e-commerce related services or managing new machines or systems.

Technology: Technology use has exploded during the pandemic. Some governments, school districts and corporations are closing the digital divide by providing internet access to families who can't afford it. This digital focus will undoubtedly persist and expand, with new tech hubs likely springing up around the country.

Healthcare: Doctors now provide a wider range of services virtually, saving patients time and allowing caregivers to participate more easily. Better digital solutions could connect information systems, enabling electronic records to follow a patient throughout their care journey. Researchers are using artificial intelligence to discover possible treatments and vaccines for COVID, which may create a path for future solutions.

Personal finance: Americans have learned to save better; CNBC recently reported the personal savings rate hit a historic 33 percent in April.[2] Homeowners who refinanced will save for years to come. Before the pandemic, stocks were expensive. Lower prices could lead to higher future returns.

No one can predict the future, but problems often spur innovation, which leads to growth. In the meantime, we'll do our best to prepare you for potential challenges and opportunities. If you have questions or concerns about our economic environment or your personal financial situation, don't hesitate to call.

Did you know...

- The Four Corners is the only spot in the US where you can stand in four states at once: Utah, Colorado, Arizona and New Mexico.

- The heart of the blue whale, the largest animal on earth, is five feet long and weighs 400 pounds. The whale in total weighs 40,000 pounds.
- Polar bears have black skin. And actually, their fur isn't white—it's see-through, so it appears white as it reflects light.

- Preserves are like jam but made with more whole fruit. Marmalade is preserves made fron citrus fruit.

Pound cake got its name because the original recipe required a pound each of butter, flour, sugar and eggs. That's a lot of cake—but it was meant to last for a long time.

- If you drive south from Detroit, you'll hit Canada.

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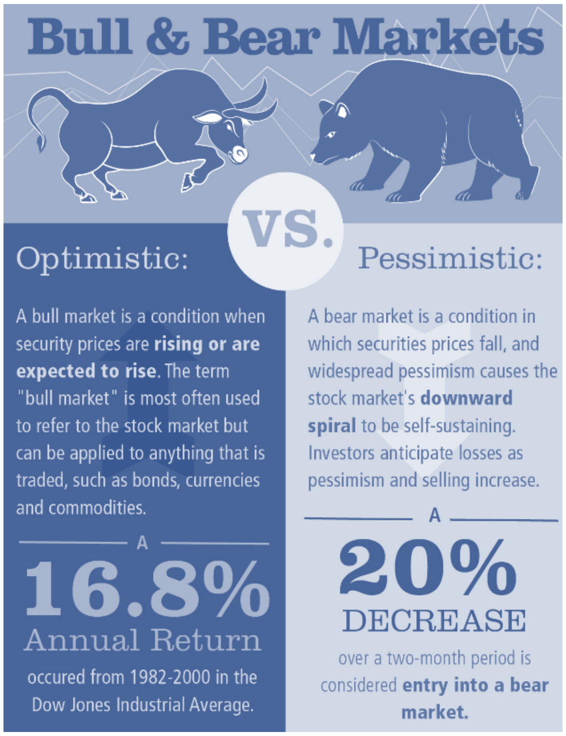

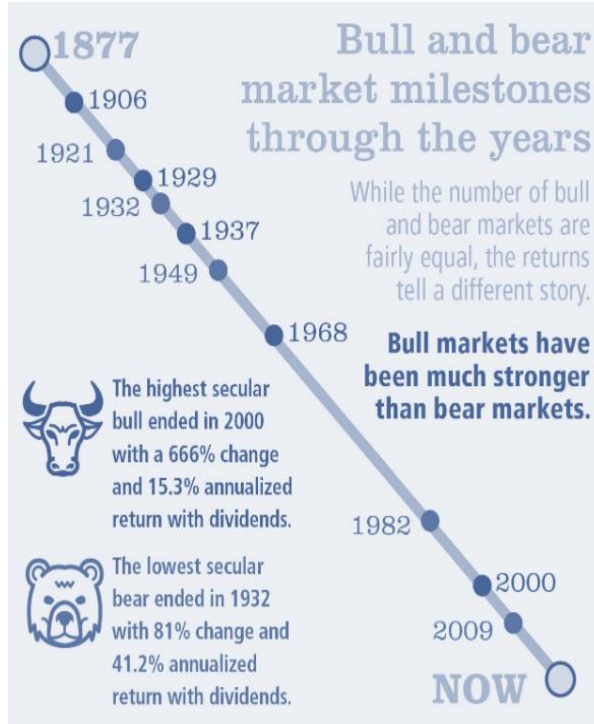

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