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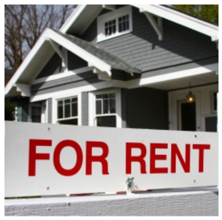
Five Things to Know Before Becoming a Landlord



Increased cash flow, property appreciation, and tax benefits are three major reasons why people want to own rental properties. But being a landlord takes time and money, so before you purchase an investment property or rent out your own home, make sure you understand what's involved.

1. Basic duties of a landlord

Your rental property is a business, and being a landlord comes with a great deal of financial and legal responsibility. Some of the major duties of a landlord include:

- **Finding responsible tenants.** This includes advertising and showing your property, and screening applicants.
- **Preparing and executing a lease.** The lease, or rental agreement, must conform to legal requirements, and include information such as the lease period, rent amount, and tenant names, and must specify lease terms and conditions.
- **Maintaining the property.** Your property must be safe and fit to live in, and must comply with all health and building codes. You may need to be available at all hours to respond to urgent tenant issues.
- **Collecting rent.** There may be periods when the property is vacant or your tenant hasn't paid the rent on time, so make sure you're prepared for the financial ramifications.

2. Rental laws

Each state has its own laws designed to protect the interests of both landlords and tenants. These laws cover many areas, including security deposits, how and when you can access the property, and what rights each party has. Local laws may also apply.

You'll also need to adhere to federal laws governing housing and discrimination. One of these laws is the Fair Housing Act that prohibits discrimination due to race, color, national origin, religion, sex, familial status, and disability. Another is the Fair Credit Reporting Act. You must comply with this Act if you run consumer reports such as background checks or credit reports when screening potential tenants or making decisions about current tenants.

3. Insurance requirements

Contact your insurance company to find out what type of insurance you need to cover your rental property. You may need a landlord or rental dwelling policy that covers damage to the home's structure, and that provides liability coverage to protect against legal fees and medical costs in the event your tenant or someone else is hurt on the property.

4. Keeping records

Keeping good records is essential. Having accurate maintenance and repair records will substantiate that you've fully addressed property issues in the event of a dispute with a tenant. Other important documentation includes legally required records such as move-in/move-out inspections and security deposit receipts, and supporting documents for rental income and expenses that will be especially important at tax time.

5. How to get help

There's no doubt that being a landlord is a lot of work. Fortunately, professional help is available.

Hiring a property management company may be a good option when you don't have the time or the expertise to manage your property directly, or when you live out of town. A property manager can handle all the details and legal requirements of renting out your property. Of course, this know-how comes at a cost, but it may be well worth it if you want to minimize the risks and maximize the rewards of being a landlord.

You may also need the advice of an attorney and a tax professional who can help you navigate the complexities of owning rental property.

How Does the Federal Reserve Affect the Economy?

The Fed's mission

The Federal Reserve is the central bank of the United States. Its mission is to provide the nation with a safer, more flexible, and more stable monetary and financial system. For more information on the Federal Reserve, visit [federalreserve.gov.](federalreserve.gov)

FOMC meeting schedule

The Federal Open Market Committee meets eight times a year. Scheduled FOMC meetings in 2019: January 29-30, March 19-20, April 30-May 1, June 18-19, July 30-31, September 17-18, October 29-30, and December 10-11.

If you follow financial news, you've probably heard many references to "the Fed" along the lines of "the Fed held interest rates," or "market watchers are wondering what the Fed will do next." So what exactly is the Fed and what does it do?

What is the Federal Reserve?

The Federal Reserve — or "the Fed" as it's commonly called — is the central bank of the United States. The Fed was created in 1913 to provide the nation with a safer, more flexible, and more stable monetary and financial system.

Today, the Federal Reserve's responsibilities fall into four general areas:

- Conducting the nation's monetary policy by influencing money and credit conditions in the economy in pursuit of full employment and stable prices
- Supervising and regulating banks and other important financial institutions to ensure the safety and soundness of the nation's banking and financial system and to protect the credit rights of consumers
- Maintaining the stability of the financial system and containing systemic risk that may arise in financial markets
- Providing certain financial services to the U.S. government, U.S. financial institutions, and foreign official institutions, and playing a major role in operating and overseeing the nation's payments systems

How is the Fed organized?

The Federal Reserve is composed of three key entities — the Board of Governors (Federal Reserve Board), 12 Federal Reserve Banks, and the Federal Open Market Committee.

The Board of Governors consists of seven people who are nominated by the president and approved by the Senate. Each person is appointed for a 14-year term (terms are staggered, with one beginning every two years). The Board of Governors conducts official business in Washington, D.C., and is headed by the chair (currently, Jerome Powell), who is perhaps the most visible face of U.S. economic and monetary policy.

Next are 12 regional Federal Reserve Banks that are responsible for typical day-to-day bank operations. The banks are located in Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco. Each regional bank has its own president and oversees thousands of smaller member banks in its region.

The Federal Open Market Committee (FOMC) is responsible for setting U.S. monetary policy. The FOMC is made up of the Board of Governors and the 12 regional bank presidents. The FOMC typically meets eight times per year. When people wait with bated breath to see what the Fed will do next, they're usually referring to the FOMC.

How does the Fed impact the economy?

One of the most important responsibilities of the Fed is setting the federal funds target rate, which is the interest rate banks charge each other for overnight loans. The federal funds target rate serves as a benchmark for many short-term interest rates, such as rates used for savings accounts, money market accounts, and short-term bonds. The target rate also serves as a basis for the prime rate. Through the FOMC, the Fed uses the federal funds target rate as a means to influence economic growth.

To stimulate the economy, the Fed lowers the target rate. If interest rates are low, the presumption is that consumers can borrow more and, consequently, spend more. For instance, lower interest rates on car loans, home mortgages, and credit cards make them more accessible to consumers. Lower interest rates often weaken the value of the dollar compared to other currencies. A weaker dollar means some foreign goods are costlier, so consumers will tend to buy American-made goods. An increased demand for goods and services often increases employment and wages. This is essentially the course the FOMC took following the 2008 financial crisis in an attempt to spur the economy.

On the other hand, if consumer prices are rising too quickly (inflation), the Fed raises the target rate, making money more costly to borrow. Since loans are harder to get and more expensive, consumers and businesses are less likely to borrow, which slows economic growth and reels in inflation.

People often look to the Fed for clues on which way interest rates are headed and for the Fed's economic analysis and forecasting. Members of the Federal Reserve regularly conduct economic research, give speeches, and testify about inflation and unemployment, which can provide insight about where the economy might be headed. All of this information can be useful for consumers when making borrowing and investing decisions.

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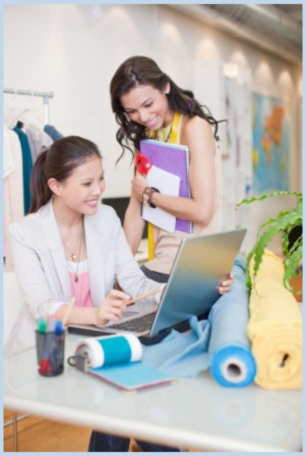
Nine Things a Business Owner Should Know After Tax Reform



A business owner should be aware of some recent federal tax legislation changes. Many of the changes can affect the bottom line for the business and the business owner. A business owner may wish to reconsider some of his or her tax strategies.

Note: The corporate tax provisions have been made permanent, but most other changes affecting individual taxpayers are scheduled to expire after 2025.

As a business owner, you should be aware of some recent federal tax legislation changes. Many of the changes can affect the bottom line for the business as well as you as the business owner — some in a good way and some in a bad way.

1. The taxable income of a C corporation is now taxed at a flat 21% rate. Previously, the tax rates generally ranged from 15% to 35% (but some income was taxed as high as 39%). There is no longer a corporate alternative minimum tax.

2. Individual income tax rates have been reduced to 10%, 12%, 22%, 24%, 32%, 35%, and 37%. Net long-term capital gains and qualified dividends continue to be taxed generally at 0%, 15%, and 20%, depending on the amount of your taxable income.

3. A new pass-through income deduction is available to many owners of sole proprietorships, partnerships, and S corporations. This deduction is for up to 20% of qualified business income (QBI) from such business entities. If your taxable income exceeds certain thresholds, the deduction is limited based on factors such as the wages and qualified property of the business. Additionally, individuals with higher taxable incomes may not be able to claim a deduction if the business involves the performance of services in fields that include health, law, accounting, performing arts, consulting, athletics, and financial services, among others.

4. Small businesses have the option of expensing certain purchases under IRC Section 179 rather than depreciating the value of the purchases over time. Up to $1,020,000 (in 2019) of qualifying Section 179 property can now be expensed. The amount that can be expensed is reduced to the extent that qualifying property exceeds $2,550,000 (in 2019). These amounts are indexed for inflation and may increase in future years.

5. When a business purchases an asset, the business can generally deduct the cost of the asset over a period of time. For qualified property purchased after September 27, 2017, first-year bonus depreciation of 100% is available if the property is placed in service before 2023 (2024 for certain property). The 100% allowance is phased down by 20% each year after 2022 (or 2023 for certain property). The 100% bonus depreciation essentially allows business property to be expensed, rather than deducting the cost of depreciable property over a number of years.

6. Under a new provision, an excess business loss cannot be deducted. An excess business loss is equal to the amount by which your total deductions from all of your trades and businesses exceed your total gross income and gains from all of your trades and businesses plus $250,000 ($500,000 in the case of a joint return). As before, losses from a passive trade or business activity may be limited under the passive loss rules. The passive loss rules are applied before this new limitation is determined. Disallowed excess business losses are treated as a net operating loss carryover to future tax years.

7. A net operating loss generally arises when a taxpayer's deductible expenses for a year exceed its gross income. Previously, a net operating loss for the current year could be carried back to prior tax years and forward to future tax years as a deduction against taxable income. The deduction for a net operating loss for a taxpayer other than a C corporation is now limited to 80% (previously 100%) of taxable income computed without regard to this deduction. Even though a net operating loss can no longer be carried back two years, it can still be carried forward for up to 20 years, subject to the deduction limit in the carryover years. Certain farming losses may now be carried back only two years (rather than five years), as well as carried forward for 20 years.

8. A like-kind exchange provision allows property to be exchanged tax-free under certain circumstances. The general like-kind exchange provision now applies only to exchanges of real property held for use in a trade or business or for investment and not to exchanges of personal or intangible property. For example, assume you own your office building without a mortgage. You are interested in moving to a new office building. If you sold your current office building, you would recognize capital gains. If instead you exchanged your current office building for the new office building in a like-kind exchange without receiving any cash or non-like-kind property, you would not recognize any capital gains at the time of the exchange.

9. A deduction is no longer allowed for entertainment expenses. Food and beverages provided during entertainment events are not considered entertainment if purchased separately from the event. Taxpayers may still deduct 50% of the expenses for business meals.

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What is a college income-share agreement?

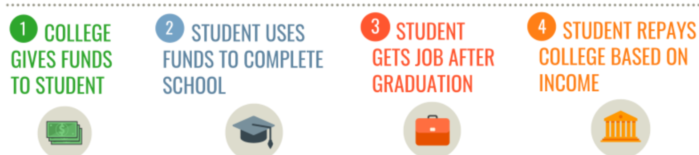
A college income-share agreement, or ISA, is a contract between a student and a college where a student receives education funding from the college today in exchange for agreeing to pay a percentage of future earnings to the college for a specified period of time after graduation. The idea behind ISAs is to minimize the need for private student loans, to give colleges a stake in their students' outcomes, and to give students the flexibility to pursue careers in lower-paying fields.

Purdue University was the first college to introduce such a program in 2016. Under Purdue's ISA program, students who exhaust federal loans can fund their education by paying back a share of their future income, typically between 3% to 4% for up to 10 years after graduation, with repayment capped at 2.5 times the initial funding amount.[1]

A handful of other colleges also offer ISAs; terms and eligibility requirements vary among schools.

ISAs are considered friendlier than private student loans because they don't charge interest, and monthly payments are based on a student's income. Typically, ISAs have a minimum income threshold, which means that no payment is due if a student's income falls below a certain salary level, and a payment cap, which is the maximum amount a student must pay back relative to the initial funding amount. For example, a payment cap of 1.5 means that a student will pay back only 1.5 times the initial funding amount. Even with a payment cap, a student's payment obligation ends after the stated fixed period of time, regardless of whether he or she has fully paid back the initial loan.

[1] *U.S. News & World Report,* September 26, 2018



How do I replace my Social Security card?

Chances are, you probably have your Social Security number memorized, so you may not have had to use your card in awhile. However, there are times when you may be required to show your actual card, such as when you start a new job or need to access certain government services. Fortunately, replacing a lost or stolen card is a relatively easy process.

In order to obtain a new card, you need to prove your citizenship or lawful noncitizen status, and your age and identity from a list of approved documentation (e.g., U.S. passport, driver's license, birth certificate). All documentation provided must be either original or in certified form (notarized copies or photocopies will not be accepted).

Next, you need to fill out an *Application for a Social Security Card* and bring or mail the application, along with the approved documentation, to your local Social Security office. Once the Social Security Administration (SSA) has your information and verified your documents, you should receive a replacement card within 10 to 14 business days.

In certain circumstances, you may be able to apply for a replacement card online using a my Social Security online account. You can apply online for a replacement card if you:

- Are a U.S. citizen age 18 or older with a U.S. mailing address (this includes APO, FPO, and DPO addresses)
- Are not requesting a name change or any other change to your card
- Have a driver's license or state-issued identification card from a participating state or the District of Columbia

Be wary of businesses that offer to replace your Social Security card for a fee. The SSA provides those services free of charge. Keep in mind that you are limited to three replacement cards in a year and 10 during your lifetime, although certain exceptions apply.

For more information on replacing a lost or stolen card, visit the Social Security Administration website at ssa.gov.

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