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CLIENTUPDATE
PRACTICAL TAX & FINANCIAL ADVICE

7 INTERESTING FINANCIAL FACTS

Money touches nearly every part of our lives, yet many people are surprised by how common certain financial behaviors actually are. Here are 7 interesting facts about personal finance, along with practical tips to help you make smarter decisions.

FACT #1: **46% of Americans with credit cards carry a balance from month-to-month.** Nearly half of credit card users revolve a balance at some point during the year. Carrying a balance means paying interest, which can often exceed 20% annually.

Financial tip: *Use credit cards like a debit card. Only charge what you can pay off in full each month. If you carry a balance, consider the avalanche method – pay extra toward the highest-interest card while making minimum payments on the others.*

FACT #2: **73% of taxpayers receive a tax refund each year.** While a refund can feel like a financial windfall to some, it actually represents an interest-free loan to the government.

Financial tip: Consider adjusting your tax withholding if your refund is very large. Take the extra money in your paychecks and redirect it into savings or investments.

FACT #3: **Americans hold over $1.67 trillion in auto loan debt.** With rising car prices, more buyers rely on financing, often stretching loan terms to keep monthly payments manageable.

Financial tip: *When buying a car, focus on the total cost rather than just the monthly payment. Shorter loan terms and larger down payments can significantly reduce the interest you pay over time.*

FACT #4: **40% of U.S. homeowners own their homes without a mortgage.** A growing share of homeowners have fully paid off their homes.

Financial tip: *Even if paying off your mortgage early is appealing, balance this goal with other priorities such as retirement savings and emergency funds.*

FACT #5: **U.S. households owe about $18.8 trillion in total debt.** Debt can help achieve life goals like homeownership or education, but too much can limit flexibility.

Financial tip: Track your debt-to-income ratio. While having no debt is the ideal situation, keeping monthly debt payments below about one-third of your income can help maintain some financial stability.

FACT #6: **67% of Americans have little to no savings after each paycheck.** Rising housing costs, inflation, and everyday expenses have made it difficult for many households to build savings.

Financial tip: *Start with automatic savings. Even setting aside a small amount from each paycheck can build meaningful financial security over time.*

FACT #7: **54% of working-age Americans have some form of post-secondary education.** More than half of U.S. adults have continued their education beyond high school through a variety of paths – including four-year colleges, community colleges, trade schools, technical programs, and professional certifications.

Financial tip: *If you're considering additional education or training, evaluate the return on investment before committing. Sometimes shorter programs, certifications, or trade schools can provide strong earning potential with significantly lower costs than a traditional four-year degree.* ♦

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The top 6 asked tax questions

Here are several frequently asked tax questions and their answers. But like most things, there can be exceptions, so if in doubt always ask for help.

- **Is money received through Venmo, PayPal, or Cash App taxable?** Payments from friends for splitting dinner or reimbursing expenses are not taxable. However, money received for selling goods or providing services is generally taxable income and may be reported to the IRS on Form 1099-K.
- **Do I have to pay taxes if I sell items online?** If you made a profit, then yes, the gain is generally taxable and should be reported on your tax return. If you sold something without making a profit, it's usually not taxable, although the sale may still be reported to the IRS.
- **Can I deduct expenses for working from home?** Employees cannot claim a federal deduction for home office expenses. Self-employed workers may qualify if part of their home is used regularly and exclusively for business purposes. The deduction can include a portion of rent, utilities, insurance, and other eligible costs.
- **Is cryptocurrency taxable?** Selling crypto, trading one cryptocurrency for another, or using crypto to purchase goods and services can all create gains or losses that must be reported on your tax return. Even receiving cryptocurrency as payment, mining rewards, staking rewards, or certain promotional incentives may be taxable.
- **Is my tip income taxable?** Tips are still considered taxable income and must be reported. Many workers who normally receive tips, however, can claim a federal income tax deduction of up to $25,000 for qualified tip income. To qualify for the deduction, tips must be reported on Form W-2, Form 1099, or by using other approved reporting methods, and the worker must be employed in a qualifying occupation designated by the IRS.
- **How much of my overtime pay is deductible?** In a typical time-and-a-half situation, only the extra half-time portion is deductible, not your entire overtime paycheck. For example, if you normally earn $20 per hour and are paid $30 per hour for overtime, only the additional $10 premium qualifies. The deduction is capped at $12,500 annually ($25,000 for joint filers) and phases out at higher income levels.

If you have other questions, please call to schedule a tax planning session to prevent any potential tax surprises you may encounter on your 2026 return. ♦

Avoid the

Tax Pitfalls

of adding extra income

Earning extra income feels great until tax season arrives. A second job, freelance project, or growing side hustle can change how you're taxed in ways many people don't expect. Here are several rules to understand that will help you avoid the tax pitfalls of adding extra income.

1 Know if you're an employee or independent contractor

Potential tax pitfalls: Many contractors and freelancers assume they're being taxed the same way they are at their day job. Then tax season arrives and they discover no one was setting aside money for Social Security, Medicare, or income taxes. In some cases, workers are even surprised to learn they were classified differently than they expected.

What you can do: *Before accepting additional income, ask how you'll be paid and whether you'll receive a Form W-2 or Form 1099. A short conversation upfront can prevent a much longer conversation when you prepare your tax return.*

2 Employee income isn't always simple

Potential tax pitfalls: Your employer withholds Social Security and Medicare taxes from your paychecks, which makes payroll taxes feel largely automatic. The problem starts when you add a second job or other side income. Each employer calculates withholding as if it's your only source of income, which can create problems when everything gets added together on your tax return. Some workers may also receive tax forms other than a traditional W-2, creating another opportunity for confusion.

> *"Extra income creates new oppotunities – but it also creates new tax responsibilities."*

What you can do: *Review your withholdings whenever you add a new income stream. A quick check during the year is much easier than finding out in April that your paycheck withholding wasn't keeping pace with your total earnings.*

3 Contracting income means more responsibility

Potential tax pitfalls: Receiving a 1099 often feels very different from receiving a paycheck because no taxes are being withheld along the way. You're responsible for both sides of Social Security and Medicare taxes, which can make the final tax bill larger than expected. Mixing business and personal spending can also make it harder to identify expenses that could reduce taxable income.

What you can do: *Keep business income and expenses separate from personal spending, whether that means opening a dedicated account or tightening up the one already in place. And if additional income becomes regular, build estimated tax payments into your routine instead of treating them as a year-end problem. A quick estimate during the year can help decide whether quarterly payments make sense.*

Extra income can create new opportunities, but it also introduces new tax responsibilities. A little planning now can help keep more of what you earn and prevent unpleasant tax surprises later. Call if you have questions about your extra income. ♦

IRS UPDATE

IRS says to watch out for these scams

The IRS is warning taxpayers to remain vigilant as criminals continue developing new ways to steal money and personal information. Popular tactics among criminals include phishing emails and texts, AI-generated phone scams, fake charities, misleading tax advice on social media, identity theft, ghost tax preparers, and fraudulent tax credit claims. Here's what to do if you get a suspicious message:

- Don't click unexpected links or open unexpected attachments.
- To report suspected IRS-related phishing emails or messages, send them to *phishing@irs.gov* and follow IRS reporting instructions.
- If you think your tax identity has been compromised, visit *IRS.gov/idtheft* for steps to protect your account and recover.

The IRS typically contacts you the first time through regular U.S. mail delivered by the U.S. Postal Service. To verify the IRS sent the letter or notice, you can visit IRS.gov and search for *Understanding your IRS notice or letter*. If the letter looks suspicious, you can call 800-829-1040 to report it.

Interest rates unchanged for third quarter of 2026

Interest rates for the third quarter in 2026 increased compared to last quarter. These rates include: 7% for overpayments (6% for corporations); 4.5% for the portion of a corporate overpayment over $10,000; 7% for underpayments and 9% for large corporation underpayments.

TAX CALENDAR

October 15, 2026
- Filing deadline for 2025 individual tax returns on extension

4th Quarter
- Estimate your 2026 income tax liability and review options for minimizing your 2026 taxes. Call to schedule a tax planning review.

Avoid costly

HOMEOWNERS' INSURANCE SURPRISES

Homeowners' insurance policies have many distinct components of coverage. Two of the biggest are the structure of the home and the belongings inside of it.

Here's a closer look at how these two types of coverage work and how understanding the difference can help you avoid costly surprises.

1 COVERAGE FOR YOUR HOUSE

The physical structure of the home falls under dwelling coverage (often called Coverage A). This includes:

- The walls and roof
- Flooring and cabinets
- Built-in appliances
- Plumbing and electrical systems
- Attached garages

This part of your policy helps pay to repair or rebuild your home after covered damage. The coverage amount is usually based on what it would cost to rebuild the home today, not what you originally paid for it or what it could sell for on the market.

For example, a $500,000 home may actually need $700,000 to rebuild after a widespread disaster because of labor shortages, material inflation, and updated building codes.

2 COVERAGE FOR YOUR BELONGINGS

Furniture, clothing, electronics, appliances, and other personal items fall under personal property coverage, also known as Coverage C. Most policies set this limit as a percentage of the home's insured value, commonly 50% to 70%.

For example, a home insured for $500,000 may only include $250,000 to $350,000 in coverage for everything inside it. While that may look like plenty of coverage, you may be surprised how quickly replacement costs can add up after a major loss.

Belongings coverage also works differently than coverage for the structure itself. While the home is often insured at full replacement cost, personal belongings may be reimbursed at actual cash value unless the policy is upgraded. So a TV you purchased for $1,200 several years ago may only be valued at a fraction of that amount today.

Some belongings also come with strict coverage caps. Jewelry, firearms, collectibles, and similar high-value items may only be covered up to limited amounts unless additional coverage is specifically added to the policy.

WHAT YOU CAN DO

A few simple steps can help you better understand your coverage and avoid costly surprises after a claim.

- **Review your personal property limit.** Ask your insurance agent how much coverage you actually have for belongings and whether it realistically reflects what it would cost to replace everything you own today.
- **Understand how your policy handles roof damage.** With insurers increasingly using higher wind and hail deductibles, it's important to know exactly what your policy would pay if your roof was damaged.
- **Create a home inventory.** Photos, videos, receipts, and a room-by-room inventory can make the claims process smoother and help ensure you are properly insured.
- **Ask about special limits for valuable items.** The aforementioned items such as jewelry and firearms may require additional endorsements or scheduled coverage to be fully protected. ♦