

# CLIENT UPDATE

PRACTICAL TAX & FINANCIAL ADVICE

Sample Copy (Item #: 03-441) - To Order Call:

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# CLIENT UPDATE

S U M M E R 2 0 2 6

Contact Us

1.800.888.5803  
www.tangiblevalues.com

## The HIDDEN COSTS all around us – and ideas to stop paying them

It's tough out there. The cost of everything is going up, from health-care to groceries. Plus the practice of companies using monthly fees as annuity income has become overwhelming. In an effort to give you ideas and tips to cut costs, here are some common areas that are ripe for saving money.

### Hidden cost #1: The habit of convenience spending

**What it looks like:** Convenience spending is the quick delivered meal, the delivery fee, and the upgrade that costs you more money.

**The hidden cost:** The real cost is your habit. Convenience stops being a treat and becomes the default, turning small extras into a steady cash drain over time.

**What to do about it:** First identify which services are causing the problem. Then slowly eliminate the most expensive spending habits first instead of trying to cut everything at once. If necessary, keep convenience purchases but be selective.

### Hidden cost #2: Interest expense

**What it looks like:** Not paying your credit card bill in its entirety or stretching the term of an auto loan to lower the monthly payment as much as possible. The problem is paying extra interest over time.

**The hidden cost:** Banks win. You lose. Interest quietly increases the price of everything you buy. Don't believe it? Look at your statements – credit cards are now legally required to tell you how much you will spend in interest if you only make the minimum payments; mortgage statements show you how much of each payment is used for interest and how much actually reduces your loan balance.

**What to do about it:** Shorten the timeline. NEVER carry a balance on a credit card from month to month. Keep paying extra principal on your loans with the goal of always paying more principal each month than interest.

### Hidden cost #3: Cheap now, expensive later

**What it looks like:** Buying the cheaper option because it gets the job done today.

**The hidden cost:** The money isn't lost all at once. It leaks out through repeat purchases, repairs, and frustration. Over time, the cheap option often costs more than buying something solid once.

**What to do about it:** Ask yourself how long you expect to own the item and how often you'll use it. Higher quality purchases, chosen carefully, often cost less than replacing the same item again and again.

### Hidden cost #4: Buying new or poorly rated vehicles

**What it looks like:** Getting a new car when used will do. Taking out a car loan that exceeds 75% of the vehicle trade-in value (after you drive it off the lot).

**The hidden cost:** If you get in an accident with your car, you could find yourself trapped. Your car loan could easily surpass the value of the vehicle. Poor repair history vehicles will lose their value much more quickly than others. High tech repairs may only be available at a dealership with high markups.

**What to do about it:** Buy used vs new, and target vehicles with a great repair record. Also find a mechanic who understands these constraints and is willing to look for alternatives, and advocate for the least expensive repair that actually solves the problem. ♦

## Smart tax moves for 2026

Filing your 2025 tax return may feel like crossing a finish line. In reality, this moment is the starting point for 2026 tax planning. Here are several ideas to kick start your own planning cycle.

- ▶ **If you get a big refund, adjust your withholdings.** A large refund may feel rewarding, but it's also a signal to adjust your withholdings. Unless there's a big tax event this year, you have an opportunity to keep more of your earnings in your pocket.
- ▶ **If you have a big tax bill, review estimated tax payments.** A significant balance due may signal under-withholding or insufficient quarterly estimates. Review income sources, especially self-employment, investment, and bonus income to adjust estimated payments accordingly.
- ▶ **Plan now to take advantage of the \$1,000 above-the-line charitable donation deduction.** With a new above-the-line charitable deduction available (\$2,000 for married couples), thoughtful giving becomes even more strategic. Consider your cash flow to optimize the timing of donations. Spreading contributions across the year may make budgeting easier, while ensuring you fully utilize the deduction.
- ▶ **Review retirement contribution limits for 2026.** Confirm contribution limits for IRAs, 401(k)s, and other qualified plans for 2026, and evaluate whether

you can increase deferrals. Even modest monthly adjustments can significantly reduce taxable income over the course of a year. Starting early also makes it easier to reach maximum contribution thresholds without straining year-end cash flow.

- ▶ **Plan HSA contributions and medical expenses.** Health Savings Accounts offer a rare triple tax benefit – deductible contributions, tax-free income growth, and tax-free qualified withdrawals. Review eligibility, and contribute to the maximum limits if possible.
- ▶ **Take into account life events.** Marriage can alter filing status and bracket exposure. Divorce may affect dependency claims and support payments. A new child can unlock credits and deductions. Anticipating these shifts allows you to update withholding, adjust estimated payments, and plan eligibility for credits before the year unfolds.
- ▶ **Pay attention to No Tax on Tips and Overtime.** Confirm how your employer reports this income and ensure payroll systems reflect proper treatment. Employers and business owners must also review compliance procedures. Understanding how these earnings are classified early in the year helps prevent reporting errors and maximizes any available benefit. ♦



**DOUBLE-CHECK** your withholding to reduce tax surprises

Put some of your earnings into a **ROTH IRA**

FOR A **SIDE HUSTLE:**

- ✓ **TRACK** every expense
- ✓ **DEDUCT** supplies, mileage and equipment
- ✓ **SET ASIDE** money for taxes to make estimated payments



## TWO-FACTOR AUTHENTICATION RISKS

*with tips to protect yourself*



Every day, cybercriminals try to access bank accounts, take over email inboxes, and harvest personal information using passwords purchased in bulk from underground marketplaces. Using Two-Factor Authentication (2FA), also known as multi-factor authentication, is a way to help block these break-ins by requiring a second form of verification. As you might expect, attackers are adapting and learning how to work around it.

Here's a look at how criminals are getting past 2FA and how adding more security layers can help you.

### How thieves are circumventing 2FA

In response to widespread use of 2FA, underground forums began sharing phishing kits, SIM-swapping playbooks, and malware designed specifically to intercept verification codes and session tokens. What started as basic credential harvesting evolved into coordinated, real-time attacks built to outmaneuver 2FA rather than defeat it outright.

Most methods of sidestepping 2FA involve exploiting human behavior rather than breaking encryption. Attackers capitalize on urgency, confusion, distraction, and trust, to manipulate you into approving login requests or sharing verification codes that were meant to keep intruders out. Because these attacks target weaknesses that exist beyond the password itself, meaningful protection should extend beyond relying on 2FA alone.

### Strengthening online protection beyond 2FA

Here are some tips to help protect your accounts from theft.

**Use authenticator apps or hardware security keys instead of SMS-based codes.** Text messages can be intercepted or redirected through SIM-swapping schemes, while authenticator apps generate time-based codes on your device and hardware keys require physical interaction, making remote compromise far more difficult.

- Enable biometric authentication where available.** Fingerprints or facial recognition add a personal, physical layer to the login process, limiting the usefulness of stolen credentials and reinforcing account access with something uniquely tied to you.
- Monitor account activity and enable login alerts.** Real-time notifications about new devices or unusual sign-ins allow you to respond quickly, reset credentials, and prevent further unauthorized access.
- Practice phishing awareness** by checking URLs, avoiding suspicious links, and verifying requests. Many attacks hinge on deception, so slowing down to confirm website addresses and independently validate urgent messages can stop credential theft in its tracks.
- Use strong, unique passwords with a password manager.** Password managers generate complex combinations and prevent reuse across accounts, reducing the impact of data breaches and credential stuffing attacks.
- Keep devices updated to reduce malware risk.** Updates patch vulnerabilities that attackers exploit to steal session tokens, capture keystrokes, or install surveillance tools.
- Consider identity monitoring services for high-value accounts.** These services can alert you when personal information appears in breach databases or underground marketplaces, giving you time to change things before your data is sold to someone who will attempt to attack your accounts.
- Encourage adopting a layered security mindset.** Combining multiple safeguards creates overlapping protection, making it significantly harder for attackers to bypass your defenses.

Two-factor authentication remains a powerful online defense, but true digital resilience comes from layering protections. As cyber threats evolve, your security strategy should do so as well. ♦

## IRS UPDATE

### IRS warns taxpayers of the following scams

Here are several scams highlighted by the IRS to watch out for:

- Non-cash charitable contribution schemes.** Some schemes involve inflated appraisals of donated property using syndicated conservation easements or art. Promoters often promise to eliminate or substantially reduce tax liability.
- Overstated withholding schemes (fabricated wage/withholding data).** Scammers encourage taxpayers to inflate withholding amounts to manufacture a larger refund by reporting zero or little income on incorrect forms. The IRS may delay processing while it verifies wages and withholding against third-party records.
- Aggressive or misleading Offer-in-Compromise marketing (OIC mills).** The Offer-in-Compromise program can help certain eligible taxpayers resolve tax debt when they are unable to pay in full, but OIC mills often overpromise results and charge high fees to taxpayers who don't qualify. Taxpayers can check eligibility using free IRS tools to avoid high-pressure sales tactics.

The IRS encourages everyone to report suspected tax fraud, scams, identity theft, or other tax-related wrongdoing by visiting [IRS.gov/SubmitATip](https://www.irs.gov/SubmitATip).

### Interest rates decrease for second quarter of 2026

Interest rates for the second quarter in 2026 decreased compared to last quarter. These rates include: 6% for overpayments (5% for corporations); 3.5% for the portion of a corporate overpayment over \$10,000; 6% for underpayments and 8% for large corporation underpayments.

## TAX CALENDAR

### June 15, 2026

- Second installment of 2026 individual estimated tax is due.

### September 15, 2026

- Third installment of 2026 individual estimated tax is due.

## Why tax credits are better than tax deductions



Tax credits are some of the most valuable tools around to help cut your tax bill. But figuring out how to use these credits on your tax return can get complicated very quickly. Here's what you need to know.

### Understanding the difference

To help illustrate the difference between a credit and a deduction, here is an example of a single taxpayer making \$50,000 in 2025.

#### DEDUCTION

##### Tax deduction example:

Gee I. John earns \$50,000 and owes \$5,000 in taxes. If you add a \$1,000 tax deduction, he'll decrease his \$50,000 income to \$49,000, and owe about \$4,800 in taxes.

**Result:** A \$1,000 tax deduction decreases Gee's tax bill by \$200, from \$5,000 to \$4,800.



#### CREDIT

##### Tax credit example:

Now let's assume Gee has a \$1,000 tax credit versus a deduction. Gee's tax bill decreases from \$5,000 to \$4,000, while his \$50,000 income stays the same.

**Result:** A \$1,000 tax credit decreases your tax bill from \$5,000 to \$4,000. In this example, your tax credit is five times as valuable as a tax deduction.



### Clearing the credit hurdles

Credits are generally worth much more than deductions. However there are several hurdles you have to clear before being able to take advantage of a credit.

To illustrate, consider the popular child tax credit.

#### #1 HURDLE

**Meet basic qualifications:** You can claim a \$2,200 tax credit for each qualifying child you have on your 2025 tax return. The good news is that the IRS's definition of a qualifying child is fairly broad, but there are enough nuances to the definition that Hurdle #1 could get complicated. And then to make matters more complicated...

#### #2 HURDLE

**Meet income qualifications:** If you make too much money, you can't claim the credit. If you're single, head of household or married filing separately, the child tax credit completely goes away if you exceed \$240,000 of taxable income. If you're married filing jointly, the credit disappears above \$440,000 of income.

#### #3 HURDLE

**Meet tax liability qualifications:** To claim the entire \$2,200 child tax credit, you must owe at least \$2,200 of income tax. For example, if you owe \$3,000 in taxes and have one child that qualifies for the credit, you can claim the entire \$2,200 credit. But if you only owe \$1,000 in taxes, the maximum amount of the child tax credit you can claim is \$1,700.

### Take the tax credit...but get help!

The bottom line is that tax credits are usually more valuable than tax deductions. But tax credits also come with lots of rules that can be confusing. Please call to schedule a tax planning session to make sure you make the most of the available tax credits for your situation. ♦

This newsletter is issued quarterly to provide you with an informative summary of current business, financial and tax planning news and opportunities. Do not apply this general information to your specific situation without additional details. Be aware that the tax laws contain varying effective dates and numerous limitations and exceptions that cannot be easily summarized. For details and guidance in applying the tax rules to your individual circumstances, please contact us.