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Accumulation Or Debt Reduction?

Courtesy of Horizon Wealth Strategies, LLC

It's not uncommon for people to ask, "Should I invest if I have debt?"

It's a reasonable question, with a multi-facetted answer.

First, almost everyone has some form of debt, and many will continue to carry some debt for many years. Waiting to start investing until your debt is completely gone could easily put you behind the proverbial eight-ball when it comes to your retirement savings. Therefore, it is wise to consider an accumulation strategy and a debt reduction strategy in tandem.

The accumulation part: If you have an employer retirement plan that provides a match, be sure to maximize the match. "Free money" generally beats investment returns. Then diversify with the after-tax component where your contributions are not tax deductible, but your retirement income could be tax-advantaged in some cases. Since no one knows where tax rates are going, this could result in higher net retirement income.

The debt reduction part: Direct any extra cash flow towards debt paydown because it can often be a great investment. Think of it this way: if you have a credit card balance that costs 15%, paying it down is the best guaranteed, risk-free return you will find. Start with the highest interest rate first. Low interest rates, like your mortgage, may be worth paying off as slowly as possible.

HORIZON
WEALTH STRATEGIES, LLC

(888) 549-1856
www.horizonwealthstrategies.com

Mark D. Olson, CFP®, MSFS, CLU®, ChFC®
Founder & Principal

Michael A. Ferrara, CFP® LUTCF®
Financial Planner

Irene Stolte, CLTC, LUTCF
Financial Adviser

Matthew Kennedy, CLTC
Financial Adviser

It pays to negotiate with your service providers. Customers who ask often get their Internet, cable and/or cell-phone bills lowered. In a recent survey, 80% of customers who requested reductions succeeded with SiriusXM, Suddenlink, CenturyLink and Dish Network…70% to 79% succeeded with Optimum, Sprint Wireless, ADT Security and DirecTV…60% to 69% succeeded with AT&T, Cox Communications and Verizon Wireless…and 50% to 59% with Frontier, Charter Spectrum and RCN. Savings averaged 10% to 29%—and 40% for SiriusXM customers.

Source: MoneyTalksNews.com

Cut remodeling costs by scavenging. Architectural salvage and reuse stores, such as Habitat for Humanity's ReStores, offer gently used light fixtures, doorknobs, sofas and other household items. *If you know a contractor,* tell him/her what you're looking for—they typically throw away cabinets during kitchen renovations, even if they are in good condition. *Also:* Drive around well-heeled neighborhoods, and look through what people are throwing away. *Keep an eye on online marketplaces* such as Craigslist, eBay and Facebook Marketplace for great bargains. Act fast—desirable items tend to go quickly.

Source: The New York Times

"An investment in knowledge pays the best interest."
— Benjamin Franklin

How To Fight Inflation

By Jill Schlesinger, Kiplinger's Personal Finance

It is becoming abundantly clear that we will be contending with higher prices for longer than previously thought. As a result, it's time to dust off some of the inflation-fighting strategies that consumers used four decades ago.

Delay spending: Whether it's a new device, a much-desired wardrobe addition, a home renovation, or a family trip, delaying a purchase is the easiest way to avoid being slammed with higher prices.

Be flexible: As inflation soared in the 1970's, manufacturers introduced the concept of generic alternatives to brand names, to reduce prices. In the early 1980's generic sales made up 2.4% of all grocery sales, according to Selling Areas Marketing Inc. Today, generics and private labels account for 19.5% of all units sold in 2020, according to the Private Label Manufacturers Association. If your favorite brand is not available or a bit too pricey, it may be time to consider a generic brand.

Help the planet (and your bottom line): Sticker shock at the gas pump and with utility bills might prompt you to reduce driving (or go electric), better manage your thermostat, and seal up those inefficient windows and doorways. Yes, the little things add up to a lot.

Boost your income: Workers have more power today than they have in two decades. That means it's time to ask the boss for more money, either in the form of a raise or perhaps a one-time bonus. If you don't want to leave, consider a side hustle

Diversify your portfolio: The goal of every long-term investor is to grow your nest egg at a quicker pace than the rate of inflation, while keeping focused on the total risk level you are willing to assume. When inflation arrives, a diversified portfolio can help shield you from the corrosive nature of rising prices. Consider these asset classes for inclusion in your account.

- ***Commodities markets:*** When inflation rises, the price of commodities like gold and energy increase. However, this is a volatile asset class that has, at times, flatlined over long stretches of time. Try to limit commodity exposure to a small percentage of your total portfolio value.
- ***Real estate investment trusts ("REITs"):*** The ultimate "real asset," REITs historically have performed well during inflationary periods, due to rising property values and rents.
- ***Stock market:*** Long-term data show that stocks, especially dividend-producing ones, tend to perform well in inflationary periods.
- ***Treasury Inflation Protected Securities:*** To help the investor dilemma of inflation eating into a bond's fixed-income return, the US government introduced inflation-indexed bonds (TIPS) in 1997, which are linked to the consumer price index.
- ***I-Bonds:*** Issued through the US Treasury, these savings vehicles provide an annual interest rate, which is derived from a fixed rate and a semiannual inflation rate.

Note: All investments involve risk, including loss of principal. Diversification does not assure a profit or protect against market loss. Past performance is no guarantee of future results.

How To Appeal An Unexpected Medical Bill

By Rivan V. Stinson, Kiplinger's Personal Finance

If you think a medical bill was sent to you in error or you believe the amount listed is wrong, you can — and should — fight back.

First, though, you need to know common mistakes to look for, as well as what your insurance plan does and does not cover. Start by reviewing your insurer's explanation of benefits.

Was the service in network — that is, from providers that have typically agreed to reduced reimbursement from your insurance company? Next, call your insurer and ask the insurance representative to explain why the claim was denied, why certain services weren't covered and what you need to do to fix it.

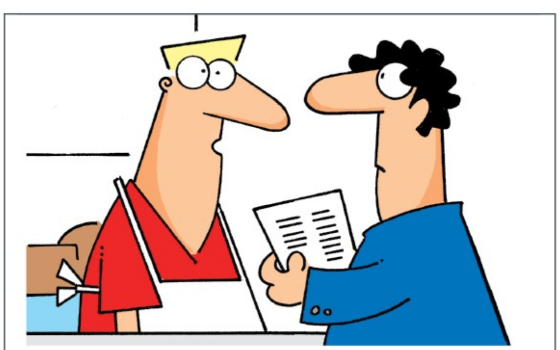
Denials of claims for in-network procedures are usually the easiest to resolve, says Katalin Goencz, a medical insurance and reimbursement specialist in Stamford, Connecticut. If a provider sends incorrect information, it is required to resubmit corrected info directly to the insurance company once the provider has been alerted, she says. For example, an error in how a procedure was coded could lead to a denial, as could an outdated insurance card.

In some cases, you could simply be billed erroneously. For example, the Coronavirus Aid, Relief and Economic Security (CARES) Act mandated that providers offer COVID-19 vaccines and boosters at no charge. Providers are prohibited from charging co-payments or administrative fees. However, you could receive a bill for a COVID-19 vaccination if the provider bills you directly instead of your insurer or due to human error in medical billing systems. If you're charged for a vaccine, call your provider and dispute the charges.

Most insurance companies allow you to appeal a claim online, which is useful because the system will usually flag missing or incorrect information. Goencz says some problems with out-of-network claims occur when a provider gives you a piece of paper to file with your insurance company but the paperwork has missing or incorrect information. If filing online isn't an option, download and print out a paper claim form from the insurer's website.

The No Surprises Act, which took effect in January, prohibits providers from charging patients out-of-network rates for emergency care and ancillary services, such as anesthesiology, for nonemergency procedures delivered by out-of-network providers at in-network facilities. The law also applies to out-of-network charges for air ambulances, which can cost thousands of dollars.

If you receive an out-of-network charge for services covered by the legislation, file an appeal with your insurance company. For nonemergency procedures, some out-of-network providers at in-network facilities can charge the higher rates if they give you an estimated bill at least 72 hours in advance and you agree to pay it. For procedures scheduled within that 72-hour window, you must be notified about the higher cost the day the appointment is made.



"The Politician's Lunch is a pork sandwich and we send the bill to your grandchildren."

A covid-related résumé gap won't hurt your job hunt, says career expert Tami Forman. Résumé gaps ordinarily make employers wary about applicants' motivation and skills. But the pandemic was an extreme situation. And with today's hot job market, 2020-21 gaps aren't taking candidates out of contention. Provide a simple explanation such as "employer shut down due to COVID." Gaps of two years or longer remain problematic, however—take relevant classes so that you have something to fill these.
Source: PathForward.org

Monthly credit checks boost your score. People who review their scores at least every month are more likely to improve their credit behavior and borrowing habits and their score. Recent example: More than one-third of subprime consumers who regularly monitored their credit raised their credit scores to a near-prime level or better (good and excellent credit). Among consumers who did not monitor their scores, only 18% increased them.
Source: USA Today

"He who rejects change is the architect of decay."
— Harold Wilson

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21 Maple Street
Somerville, NJ 08876

Higher Limits For Mortgage Borrowers

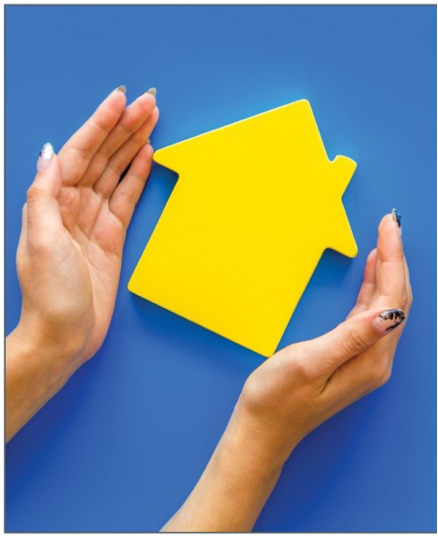
By Lisa Gerstner and Joy Taylor, Kiplinger's Personal Finance

Q: ***Has the limit gone up on how much homebuyers can borrow under a conforming loan?***

A: The steep rise in home prices nationwide has caused a significant jump in how much you can borrow with a conforming loan — that is, a mortgage that meets guidelines set by government-backed institutions Fannie Mae and Freddie Mac.

For 2022, the standard conforming limit for single-unit properties is $647,200, an increase of nearly $100,000 from the 2021 cap. In areas with a high cost of living, the loan limits are higher — as much as $970,800 for single-unit homes in places including Alaska, Hawaii, Washington, D.C., and certain counties in California, Maryland, New Jersey, New York and Virginia.

Conforming loans are the most common type of mortgage, and they often have lower interest rates than other loans. To borrow more than the conforming limit, you must qualify for a jumbo loan, which usually has a higher rate and stricter underwriting requirements.



You may be able to get a conforming loan with a credit score as low as 620, and a 740 or higher score can get you the best rates. Jumbos may not be available to borrowers with credit scores below the mid-to-upper 600s, and you'll need a credit score of at least 760 for the best rates, says Keith Gumbinger, vice president of mortgage research site HSH.com. A conforming loan may have a loan-to-value ratio (the amount borrowed expressed as a percentage of the property's value) of up to 95%, while a jumbo loan's LTV usually can't surpass 80%, says Gumbinger.

If you have a jumbo loan that now falls within the conforming limit, refinancing may be worthwhile if it lowers your interest rate. There are many online calculators to enter information about your current mortgage and potential new mortgage to see how much your monthly payment would change.