James V Sadrianna, PA
James Sadrianna, CPA
CPA
7441 Haddington Cove
Lakewood Ranch, FL 34202
407-810-8595
james@jamesvsadriannapa.net
jamesvsadriannapa.com

James V Sadrianna PA - October 2021 Newsletter

Table of Contents

Too Hot to Handle: What's Ahead for the U.S. Housing Market? ... 3

Advancing Tax Proposals Put Corporations and High-Income Individuals in Spotlight ... 5

Tax Planning for Income ... 7

FAFSA for 2022-2023 School Year Opens on October 1 ... 9

Travel Insurance ... 11

Prices are so high that some buyers are backing off, but demand remains strong and will outstrip housing supply for the foreseeable future.

Too Hot to Handle: What's Ahead for the U.S. Housing Market?

The U.S. housing market, already strong before the pandemic, has heated up to record levels in 2021. The Case-Shiller U.S. National Home Price Index, which measures home prices in 20 major metropolitan areas, reported a 12-month increase of 18.6% in June 2021, the largest year-over-year gain in data going back to 1987.[1]

The National Association of Realtors (NAR), which provides more current data, reported that the national median price of an existing home was $359,900 in July, down from a record $362,800 in June. Even so, this was the 113th consecutive month of year-over-year price increases. The June to July price relief was due in part to increased supply. Total inventory of new and existing homes increased 7.3% over June, but was still down 12.0% from a year ago.[2]

The July 2021 NAR data suggests that the red-hot market may be cooling slightly, but prices are still extremely high, and industry experts expect them to remain high for the foreseeable future. Here's a look at some key factors behind the current trend and prospects for future direction.

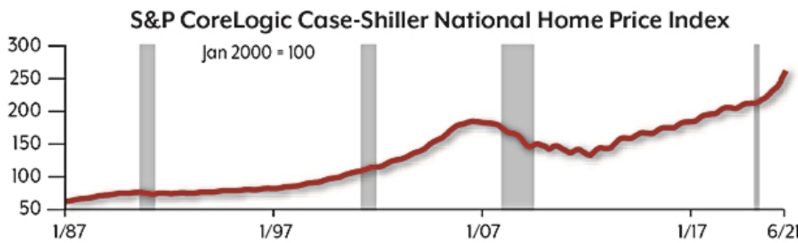
Low Supply, Surprise Demand

The housing supply has been low for more than a decade. The housing crash devastated the construction industry, and a variety of factors, including labor shortages, tariffs, limited land, and restrictive permit processes, have kept the supply of new homes below historical averages, placing more pressure on existing homes to meet demand.[3]

The pandemic exacerbated labor problems and led to supply-chain issues and high costs for raw materials that held back construction, while demand exploded despite the economic downturn. With the shift to remote work and remote education, many people with solid jobs looked for more space, and low interest rates made higher prices more affordable.[4]

Skyrocketing Prices

Unlike during previous recessions (shaded areas), U.S. housing prices have been on a tear since the pandemic recession of early 2020.



Source: S&P Dow Jones Indices, 2021; retrieved from FRED, Federal Reserve Bank of St. Louis

At the same time, homeowners who might have seen high prices as an opportunity to sell were hesitant to do so because of economic uncertainty and the high cost of moving to another home. Refinancing at low rates offered an appealing alternative and kept homeowners in place. Government mortgage forbearance programs have helped families from losing their homes but also kept homes that might have otherwise foreclosed off the market.[5]

Health concerns also played a part. The pandemic made it less appealing to have strangers entering a home for an open house. And older people who might have moved into assisted living or other senior facilities were more likely to stay in their homes.[6]

Taken together, these factors produced a perfect storm of low supply and high demand that drove already high prices to dizzying levels and created desperation among buyers. All-cash sales accounted for 23% of transactions in July, up from 16% in July 2020. The average home stayed on the market for just 17 days, down from 22 days last year. Almost 90% of homes sold in less than a month.[7]

Freezing Out First-Time Buyers

Recent inventory gains have been primarily in more expensive houses, and there continues to be a critical shortage of affordable homes. First-time buyers accounted for just 30% of purchases in July 2021, down from 34% the previous year.[8] A common formula for home affordability is to multiply income by three — i.e.,

There are inherent risks associated with real estate investments and the real estate industry, each of which could have an adverse effect on the financial performance and value of a real estate investment. Some of these risks include: a deterioration in national, regional, and local economies; tenant defaults; local real estate conditions, such as an oversupply of, or a reduction in demand for, rental space; property mismanagement; changes in operating costs and expenses, including increasing insurance costs, energy prices, real estate taxes, and the costs of compliance with laws, regulations, and government policies. Real estate investments may not be appropriate for all investors. Projections are based on current conditions, are subject to change, and may not come to pass.

a couple who earns $100,000 might qualify to buy a $300,000 house. A study of 50 cities found that home prices in Q2 2021 were, on average, 5.5 times the local median income of first-time buyers, putting most homes out of reach.[9]

The lack of affordable housing for first-time buyers also helps to drive rents higher. People with higher incomes who might be buying homes are willing and able to pay higher rents. Rents on newly signed leases in July were 17% higher than what the previous tenant paid, the highest jump on record. After dropping while many young people lived with parents during the pandemic, occupancy of rental units hit a record high of 96.9%.[10]

Is This a Bubble?

From 2006 to 2012, the housing market plummeted 60%, taking the broader U.S. economy with it.[11] Mortgage requirements were made much stricter after the housing crash, and homeowners today are more likely to afford their homes and to have more equity from larger down payments. The housing market has always been cyclical, so it's likely that prices will turn downward at some point in the future, but less likely that prices will collapse the way they did during the Great Recession.[12]

What's Next?

Prices are so high that some buyers are backing off, but demand remains strong and will outstrip housing supply for the foreseeable future. Some near-term relief might come if high prices inspire more homeowners to sell, and if the end of government programs puts more foreclosed homes on the market. There are more single-family homes under construction than at any time since 2007, but it will take months or years for those homes to increase the housing supply.[13]

The housing market tends to be seasonal, with demand dying down in the fall and the winter. That didn't happen last year, because pent-up demand was so strong that it pushed through the seasons. With the supply/demand tension easing, the seasonal slowdown may be more significant this year.[14] The Federal Home Loan Mortgage Corporation (Freddie Mac) projects that home prices will grow by 12.1% in 2021, lower than the current pace, and drop further to 5.3% growth in 2022.[15]

Location, Location

Although national trends reflect broad economic forces, the housing market is fundamentally local. The West is the most expensive region, with a median price of $508,300 for an existing home, followed by the Northeast ($411,200), the South ($305,200), and the Midwest ($275,300).[16] Within regions, there are dramatic price differences among states, cities, and towns. The trend to remote work, which helped drive prices upward, may help moderate prices in the long term by allowing workers to live in more affordable areas.

1) S&P Dow Jones Indices, August 31, 2021

2, 7, 8, 16) National Association of Realtors, August 23, 2021

3, 4, 6) *The New York Times,* May 14, 2021

5) NBC News, July 6, 2021

9) *The New York Times,* August 12, 2021

10) Bloomberg Businessweek, August 18, 2021

11) NPR, August 17, 2021

12) *The Wall Street Journal,* March 15, 2021

13) Bloomberg, August 19, 2021

14) CNN Business, August 23, 2021

15) Freddie Mac, July 2021

A number of advancing tax proposals have put corporations and high-income individuals in the spotlight.

Advancing Tax Proposals Put Corporations and High-Income Individuals in Spotlight

On Saturday, September 25, 2021, the House Budget Committee voted to advance a $3.5 trillion spending package to the House floor for debate. The House Ways and Means Committee and the Joint Committee on Taxation had previously released summaries of proposed tax changes intended to help fund the spending package. Many of these provisions focus specifically on businesses and high-income households.

Expect these proposals to be modified; some will likely be removed and others added as the legislative process continues. As we monitor progression through the legislative process, though, here are some highlights from the previously released proposed provisions worth noting.

Corporate Income Tax Rate Increase

Corporations would be subject to a graduated tax rate structure, with a higher top rate.

Currently, a flat 21% rate applies to corporate taxable income. The proposed legislation would impose a top tax rate of 26.5% on corporate taxable income above $5 million. Specifically:

- A 16% rate would apply to the first $400,000 of corporate taxable income
- A 21% rate on remaining taxable income up to $5 million
- The 26.5% rate would apply to taxable income over $5 million, and corporations making more than $10 million in taxable income would have the benefit of the lower tax rates phased out.

Personal service corporations would pay tax on their entire taxable income at 26.5%.

Tax Increases for High-Income Individuals

Top individual income tax rate. The proposed legislation would increase the existing top marginal income tax rate of 37% to 39.6% effective in tax years starting on or after January 1, 2022, and apply it to taxable income over $450,000 for married individuals filing jointly, $425,000 for heads of households, $400,000 for single taxpayers, and $225,000 for married individuals filing separate returns. (These income thresholds are lower than the current top rate thresholds.)

Top capital gains tax rate. The top long-term capital gains tax rate would be raised from 20% to 25% under the proposed legislation; this increased tax rate would generally be effective for sales after September 13, 2021. In addition, the taxable income thresholds for the 25% capital gains tax bracket would be made the same as for the 39.6% regular income tax bracket (see above) starting in 2022.

New 3% surtax on income. A new 3% surtax is proposed on modified adjusted gross income over $5 million ($2.5 million for a married individual filing separately).

3.8% net investment income tax expanded. Currently, there is a 3.8% net investment income tax on high-income individuals. This tax would be expanded to cover certain other income derived in the ordinary course of a trade or business for single taxpayers with taxable income greater than $400,000 ($500,000 for joint filers). This would generally affect certain income of S corporation shareholders, partners, and limited liability company (LLC) members that is currently not subject to the net investment income tax.

New qualified business income deduction limit. A deduction is currently available for up to 20% of qualified business income from a partnership, S corporation, or sole proprietorship, as well as 20% of aggregate qualified real estate investment trust dividends and qualified publicly traded partnership income. The proposed legislation would limit the maximum allowable deduction at $500,000 for a joint return, $400,000 for a single return, and $250,000 for a separate return.

Retirement Plans Provisions Affecting High-Income Individuals

New limit on contributions to Roth and traditional IRAs. The proposed legislation would prohibit those with total IRA and defined contribution retirement plan accounts exceeding $10 million from making any additional contributions to Roth and traditional IRAs. The limit would apply to single taxpayers and married taxpayers filing separately with taxable income over $400,000, $450,000 for married taxpayers filing jointly, and $425,000 for heads of household.

New required minimum distributions for large aggregate retirement accounts.

- These rules would apply to high-income individuals (same income limits as described above), regardless of age.
- The proposed legislation would require that individuals with total retirement account balances (traditional

IRAs, Roth IRAs, employer-sponsored retirement plans) exceeding $20 million distribute funds from Roth accounts (100% of Roth retirement funds or, if less, by the amount total retirement account balances exceed $20 million).

- To the extent that the combined balance in traditional IRAs, Roth IRAs, and defined contribution plans exceeds $10 million, distributions equal to 50% of the excess must be made.
- The 10% early-distribution penalty tax would not apply to distributions required because of the $10 million or $20 million limits.

Roth conversions limited. In general, taxpayers can currently convert all or a portion of a non-Roth IRA or defined contribution plan account into a Roth IRA or account without regard to the amount of their taxable income. The proposed legislation would prohibit Roth conversions for single taxpayers and married taxpayers filing separately with taxable income over $400,000, $450,000 for married taxpayers filing jointly, and $425,000 for heads of household. [It appears that this proposal would not be effective until 2032.]

Roth conversions not allowed for distributions that include nondeductible contributions. Taxpayers who are unable to make contributions to a Roth IRA can currently make "back-door" contributions by making nondeductible contributions to a traditional IRA and then shortly afterward convert the nondeductible contribution from the traditional IRA to a Roth IRA. It is proposed that amounts held in a non-Roth IRA or defined contribution account cannot be converted to a Roth IRA or designated Roth account if any portion of the distribution being converted consists of after-tax or nondeductible contributions.

Estates and Trusts

- For estate and gift taxes (and the generation-skipping transfer tax), the current basic exclusion amount (and GST tax exemption) of $11.7 million would be cut by about one-half under the proposal.
- The proposal would generally include grantor trusts in the grantor's estate for estate tax purposes; tax rules relating to the sale of appreciated property to a grantor trust would also be modified to provide for taxation of gain.
- Current valuation rules that generally allow substantial discounts for transfer tax purposes for an interest in a closely held business entity, such as an interest in a family limited partnership, would be modified to disallow any such discount for transfers of nonbusiness assets.

Tax Planning for Income

You don't want to pay more in federal income tax than you have to. With that in mind, here are five things to consider when it comes to keeping more of your income.

1. Postpone your income to minimize your current income tax liability

By deferring (postponing) income to a later year, you may be able to minimize your current income tax liability and invest the money that you'd otherwise use to pay income taxes. And when you eventually report the income, it's possible that you'll be in a lower income tax bracket.

Certain retirement plans can help you postpone the payment of taxes on your earned income. With a traditional 401(k) plan, for example, you contribute part of your salary into the plan, paying income tax only when you later withdraw money from the plan (withdrawals before age 59½ may be subject to a 10 percent penalty tax in addition to regular income tax, unless an exception applies). This allows you to postpone tax on part of your salary and take advantage of the tax-deferred growth of any investment earnings.

There are many other ways to postpone your taxable income. For instance, you can contribute to a traditional IRA, buy permanent life insurance (the cash value part grows tax deferred), or invest in certain savings bonds. You may want to speak with a tax professional about your tax planning options.

2. Shift income to family members to lower the overall family tax burden

You may also be able to minimize your federal income taxes by shifting some income to family members who are in a lower tax bracket. For example, if you own stock that produces dividend income, one option might be to gift the stock to your children. After you've made the gift, the dividends will represent income to them rather than to you, potentially lowering your family's overall tax burden. Keep in mind that you can make a tax-free gift of up to $15,000 (in 2020 and 2021, and could increase in future years) per year per recipient without incurring federal gift tax.

However, look out for the kiddie tax rules. Under these rules, for children under age 18, or children under age 19 (or full-time students under age 24) who don't earn more than one-half of their financial support, any unearned income over $2,200 (in 2020 and 2021) is taxed at the parents' tax rates. Also, be sure to check the laws of your state before giving securities to minors.

Other ways of shifting income include hiring a family member for the family business and creating a family limited partnership. Be sure to investigate all of your options carefully before acting.

3. Deduction planning involves proper timing and control over your income

Part of minimizing federal income tax is about taking advantage of all deductions to which you are entitled, and timing them in the most beneficial manner.

As a starting point, you'll have to decide whether to itemize your deductions or take the standard deduction. Generally, you'll choose whichever method lowers your taxes the most. If you itemize, be aware that some deductions (for example, medical expenses) are allowed only to the extent the deduction exceeds some percentage of your adjusted gross income (AGI). In cases where your deductions are affected by your AGI, you might look at ways to potentially increase your allowable deductions by reducing your AGI. To lower your AGI for the year, you can defer part of your income to next year, buy investments that generate tax-exempt income, and contribute as much as you can to qualified retirement plans.

Because you can sometimes control whether a deductible expense falls into the current tax year or the next, you may have some control over the timing of your deduction. If you're in a higher federal income tax bracket this year than you expect to be in next year, you'll want to consider accelerating deductions into the current year. You can accelerate deductions by paying deductible expenses and making charitable contributions this year instead of waiting until next.

4. Investment tax planning uses timing strategies and focuses on your after-tax return

You can also minimize tax by making tax-conscious investment choices. Potential strategies can include the use of tax-exempt securities and intentionally timing the sale of capital assets for maximum tax benefit.

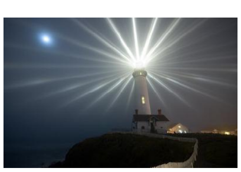
Although income is generally taxable, certain investments generate income that's exempt from tax at the federal or state level. For example, if you meet specific requirements and income limits, the interest on certain Series EE bonds (these may also be called Patriot bonds) used for education may be exempt from federal, state, and local income taxes. Also, you can exclude the interest on certain municipal bonds from your income (tax-exempt status applies to income generated from the bond; a capital gain or loss realized on the sale of a municipal bond is treated like a gain or loss from any other bond for federal tax purposes). And if you earn interest on tax-exempt bonds issued in your home state, the interest will generally be exempt from state and local tax as well. Keep in mind that although the interest on municipal bonds is generally tax exempt, certain municipal bond income may be subject to the federal alternative minimum tax. When comparing taxable and tax-exempt investment options, you'll want to focus on those choices that maximize your after-tax return.

In most cases, long-term capital gain tax rates are lower than ordinary income tax rates. That means that the amount of time you hold an asset before selling it can make a big tax difference. Since long-term capital gain rates generally apply when an asset has been held for more than a year, you may find it makes good tax-sense to hold off a little longer on selling an asset that you've held for only 11 months. Timing the sale of a capital asset (such as stock) can help in other ways as well. For example, if you expect to be in a lower income tax bracket next year, you might consider waiting until then to sell your stock. You might want to accelerate income into this year by selling assets, though, if you have capital losses this year that you can use to offset the resulting gain.

Note: *You should not decide which investment options are appropriate for you based on tax considerations alone. Nor should you decide when (or if) to sell an asset solely based on the tax consequence. A financial or tax professional can help you decide what choices are right for your specific situation.*

5. Year-end planning focuses on your marginal income tax bracket

Year-end tax planning, as you might expect, typically takes place in October, November, and December. At its most basic level, year-end tax planning generally looks at ways to time income and deductions to give you the best possible tax result. This may mean trying to postpone income to the following year (thus postponing the payment of tax on that income) and accelerate deductions into the current year. For example, assume it's December and you know that you're in a higher tax bracket this year than you will be in next year. If you're able to postpone the receipt of income until the following year, you may be able to pay less overall tax on that income. Similarly, if you have major dental work scheduled for the beginning of next year, you might consider trying to reschedule for December to take advantage of the deduction this year. The right year-end tax planning moves for you will depend on your individual circumstances.



What income does the FAFSA count?

Your income from two years prior is what counts on the FAFSA. For example, the 2022-2023 FAFSA will rely on income information in your 2020 tax return.

FAFSA for 2022-2023 School Year Opens on October 1

October is the kickoff season for financial aid. That's when incoming and returning college students can start filing the Free Application for Federal Student Aid, or FAFSA, for the next academic year. The FAFSA is a prerequisite for federal student loans, grants, and work-study, and may be required by colleges before they distribute their own institutional aid to students.

How do I submit the FAFSA?

The FAFSA for the 2022-2023 school year opens on October 1, 2021. Here are some tips for filing it.

- The fastest and easiest way to submit the FAFSA is online at studentaid.gov. The site contains resources and tools to help you complete the form, including a list of the documents and information you'll need to file it. The online FAFSA allows your tax data to be directly imported from the IRS, which speeds up the overall process and reduces errors.
- Before you file the FAFSA online, you and your child will each need to obtain an FSA ID (federal student aid ID), which you can also do online by following the instructions. (Once you have an FSA ID, you can use the same one each year.)
- The FAFSA can also be filed in paper form. But it will take much longer for the government to process it.
- You don't need to complete the FAFSA by October 1. But it's a good idea to file it as early as possible in the fall because some federal aid programs operate on a first-come, first-served basis. Colleges typically have a priority filing date for both incoming and returning students; the priority filing date can be found in the financial aid section of a college's website. You should submit the FAFSA before that date.
- Students must submit the FAFSA every year to be eligible for financial aid (along with any other college-specific financial aid form that may be required, such as the CSS Profile). Any colleges you list on the FAFSA will also get a copy of the report.
- There is no cost to submit the FAFSA.

How does the FAFSA calculate financial need?

The FAFSA looks at a family's income, assets, and household information (for example, family size) to calculate what a family can afford to pay. This figure is known as the EFC, or expected family contribution. All financial aid packages are built around this number.

Tip: Starting with the 2023-2024 FAFSA (which will be available next year starting October 1, 2022), the EFC will be renamed the SAI, or student aid index.

When counting income, the FAFSA uses information in your tax return from *two years* earlier. This year is often referred to as the "base year" or the "prior-prior year." For example, the 2022-2023 FAFSA will use income information in your 2020 tax return, so 2020 would be the base year or prior-prior year.

When counting assets, the FAFSA uses the current value of your and your child's assets. Some assets are not counted and do not need to be listed on the FAFSA. These include home equity in a primary residence, retirement accounts (e.g., 401k, IRA), annuities, and cash-value life insurance. Student assets are weighted more heavily than parent assets; students must contribute 20% of their assets vs. 5.6% for parents.

Your EFC remains constant, no matter which college your child attends. The difference between your EFC and a college's cost of attendance equals your child's financial need. Your child's financial need will be different at every school.

After your EFC is calculated, the financial aid administrator at your child's school will attempt to craft an aid package to meet your child's financial need by offering a combination of loans, grants, scholarships, and work-study. Keep in mind that colleges are not obligated to meet 100% of your child's financial need. If they don't, you are responsible for paying the difference. Colleges often advertise on their website and brochures whether they meet "100% of demonstrated need."

Should I file the FAFSA even if my child is unlikely to qualify for aid?

Yes, probably. There are two good reasons to submit the FAFSA even if you don't expect your child to qualify for need-based aid.

First, all students attending college at least half-time are eligible for unsubsidized federal student loans, regardless of financial need or income level. ("Unsubsidized" means the borrower, rather than the federal government, pays the interest that accrues during school and during the grace period and any deferment periods after graduation.) If you want your child to be eligible for this federal loan, you'll need to submit the FAFSA. But don't worry, your child won't be locked in to taking out the loan. If you submit the FAFSA and then decide your child doesn't need the student loan, your child can decline it through the college's financial aid portal before the start of the school year.

Second, colleges typically require the FAFSA when distributing their own need-based aid, and in some cases as a prerequisite for merit aid. So filing the FAFSA can give your child the broadest opportunity to be eligible for college-based aid. Similarly, many private scholarship sources may want to see the results of the FAFSA.

Travel Insurance

Soon you'll be on your way, taking that trip you've looked forward to for ages--but suppose something happens. If you get sick, lose your suitcase, or have to cut your trip short, will any of your existing insurance policies cover your expenses or reimburse you for your losses? If not, you might want to purchase travel insurance, which is available from insurance companies, travel agents, tour operators, and cruise lines.

If you can't make it after all or have to cut it short--trip cancellation/interruption insurance

You're ready to go, but the cruise line has gone under financially. Or perhaps you've arrived at your hotel only to be handed a telegram informing you that Uncle George is seriously ill and you must return home immediately. If your trip is canceled or cut short, will you be able to get any of your money back?

Trip cancellation/interruption insurance protects you if you must cancel your travel plans before you leave or cut your trip short due to an unforeseen event. Covered contingencies can include bad weather, the financial failure of a service provider such as a cruise line or a travel agency, your illness or that of a family member while on the trip, or an illness or death at home. But coverage varies widely from policy to policy, so check the exclusion section carefully. Your definition of an unforeseen event may differ from that of the insurance provider. For example, some companies don't recognize a recurrence of your pre-existing medical condition as unforeseeable.

Under the policy, you'll be reimbursed for your nonrefundable prepaid expenses, such as tour deposits, airline tickets, or hotel rooms. To determine what the insurance covers, you may need to check the terms of your travel agreements and find out what guarantees are offered by the carrier, travel agent, or tour operator. Cruise lines, for instance, may refund most of your money if you cancel several weeks before your scheduled departure, but they'll give you less or none back if you cancel a few days before you're supposed to leave. In that case, you'd get nothing back unless you purchased trip cancellation/interruption insurance.

Trip cancellation/interruption insurance is different from cancellation waivers offered by cruise lines and tour operators. These waivers are not insurance; they're simply company guarantees that your money will be refunded under certain circumstances. They usually won't cover your last-minute cancellation and they won't protect you if the company goes out of business.

If that fever isn't just excitement--short-term supplemental health insurance

Your individual or group health insurance policy typically covers you if you're traveling within the United States. Still, it's a good idea to check with your insurance provider before you travel so that you fully understand the coverage conditions. If you're traveling overseas, beware--your health insurance policy may not cover you at all. Even if it does, it may not provide the same benefits overseas that it does in the United States. Check the limitations of your policy carefully, and call your insurer's customer service department if you have questions.

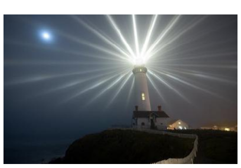
If your health insurance doesn't provide you with adequate coverage while you're traveling, consider purchasing a short-term supplemental health insurance policy from an insurance company, travel agent, tour operator, or cruise line. These policies often combine accident and/or sickness coverage with medical evacuation coverage, which pays all or part of the cost of getting you back to the United States if you're traveling overseas (something most basic health insurance polices won't cover).

The terms of supplemental health policies vary widely, so before purchasing this insurance, ask to see a copy of the policy and get the answers to the following questions:

- Does the plan pay the cost of medical care needed for sickness, accidents, or both?
- What procedures must you follow to see a doctor or go to the hospital?
- Will you have to get approval before you receive care?
- Does the policy pay for care upfront, or will you have to pay and wait to be reimbursed?
- What are the deductible, co-payments, and/or coinsurance costs?
- What exclusions and restrictions apply?
- What is the maximum amount of coverage under the policy?
- Are translator services available?

If you lose your shirt--baggage insurance

Baggage insurance reimburses you if your personal belongings are lost, stolen, or damaged while you're traveling. Before you purchase it, however, find out if you already have adequate protection. For instance, airlines may be liable for damage caused by their negligence, and they're liable for lost or stolen baggage after check-in, up to their stated limit per passenger. Some credit



card companies and travel agents also provide supplemental baggage insurance at no charge to you. Your homeowners or renters policy may protect your personal belongings against theft when you travel, as well.

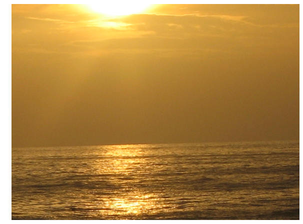
Purchasing baggage insurance may be appropriate when you want 24-hour protection, not just protection after your bags are checked in with an airline. Baggage insurance may also offer higher liability limits than those offered by an airline. However, check the policy's fine print. If you carry expensive items, you may not be fully reimbursed if they're lost or stolen, and benefit limits may apply to certain items like electronics (e.g., laptop computers) or jewelry. You also may not be reimbursed for anything covered under another policy; if your bags are lost or damaged by an airline, you may need to seek reimbursement from the airline first.

If you lose more than that--accidental death and dismemberment insurance

Accidental death and dismemberment insurance (AD & D) is inexpensive coverage that compensates you if you lose a limb or an eye, or that compensates your beneficiary if you die in an accident. You can purchase this coverage as a separate policy, as a rider to an existing policy, or as part of a travel insurance policy. You may also receive this coverage as a "free" benefit when you purchase airline, train, or bus tickets using your credit card. AD & D policies usually cover, up to certain limits, medical expenses associated with an accident.

Before you purchase this coverage, make sure you don't have duplicate coverage elsewhere. You may already have AD & D coverage if you have adequate life insurance, or through a group insurance plan sponsored by your employer or credit card company.

IMPORTANT DISCLOSURES Broadridge Investor Communication Solutions, Inc. does not provide investment, tax, legal, or retirement advice or recommendations. The information presented here is not specific to any individual's personal circumstances. To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances. These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable — we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.



James V Sadrianna, PA
James Sadrianna, CPA
CPA
7441 Haddington Cove
Lakewood Ranch, FL 34202
407-810-8595
james@jamesvsadriannapa.net
jamesvsadriannapa.com