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Enhanced Child Tax Credit for 2021

Recent legislation made substantial, temporary improvements to the child tax credit for 2021 that may increase the amount you might receive.

If you have qualifying children under the age of 18, you may be able to claim a child tax credit. (You may also be able to claim a partial credit for certain other dependents who are not qualifying children.) The American Rescue Plan Act of 2021 makes substantial, temporary improvements to the child tax credit for 2021, which may increase the amount you might receive.

Ages of qualifying children

The legislation makes 17-year-olds eligible as qualifying children in 2021. Thus, children age 17 and younger are eligible as qualifying children in 2021.

Increase in credit amount

For 2021, the child tax credit amount increases from $2,000 to $3,000 per qualifying child ($3,600 per qualifying child under age 6). The partial credit for other dependents who are not qualifying children remains at $500 per dependent.

Phaseout of credit

The combined child tax credit (the sum of your child tax credits and credits for other dependents) is subject to phaseout based on modified adjusted gross income (MAGI). Special rules start phasing out the increased portion of the child tax credit in 2021 at much lower thresholds than under pre-existing rules. The credit, as reduced under the special rules for 2021, is then subject to phaseout under the pre-existing phaseout rules.

The following table summarizes the effect of the phaseouts on the child tax credit in 2021, based on MAGI.

Single/Married filing separately	Married filing jointly	Head of household	Combined credit
Up to $75,000	Up to $150,000	Up to $112,500	No reduction in credit
$75,001 to $200,000	$150,001 to $400,000	$112,501 to $200,000	Credit can be reduced to $2,000 per qualifying child, $500 per other dependent
More than $200,000	More than $400,000	More than $200,000	Credit can be reduced to $0

Refundable credit

The aggregate amount of nonrefundable credits allowed is limited to tax liability. With refundable credits, a taxpayer may receive a refund at tax time if they exceed tax liability.

For most taxpayers, the child tax credit is fully refundable for 2021. To qualify for a full refund, the taxpayer (or either spouse for joint returns) must generally reside in the United States for more than half of the taxable year. Otherwise, under the pre-existing rules, a partial refund of up to $1,400 per qualifying child may be available. The credit for other dependents is not refundable.

Advance payments

Eligible taxpayers may receive periodic advance payments for up to half of the refundable child tax credit during 2021, generally based on 2020 tax returns. The U.S. Treasury will make the payments between July and December 2021. For example, monthly payments could be up to $250 per qualifying child ($300 per qualifying child under age 6).

Technology companies rolled out tools to help public health officials and policymakers around the world monitor mobility trends with data collected from smartphone apps.

High-Frequency Indicators: Where to Look for Signs of Recovery

Since the pandemic began, disruptions in business activity have varied greatly from region to region, and often from one week to the next, according to the severity of local COVID-19 outbreaks. Unfortunately, many of the official government statistics used to gauge the health of the U.S. economy are backward looking and somewhat delayed.

Changes in the nation's gross domestic product (GDP) indicate the rate at which the economy is growing or shrinking, but the first GDP estimate is not published by the Bureau of Economic Analysis until about one month after each quarter ends. GDP increased at a 4.3% rate in the fourth quarter of 2020 but posted the worst annual decline (-3.5%) since 1946.[1]

Rapid changes in virus conditions — for better or worse — can make many of the monthly reports that gauge employment, consumer spending, and production seem outdated and irrelevant by the time they are released. Consequently, economists and investors have been focusing on more timely data sources to monitor the economic impact of the pandemic throughout the nation. This information is reported every week, and in some cases every day, by government agencies or private companies with access to key business insights.

Here are some of the high-frequency indicators that may be helpful in evaluating the progress of the economic recovery.

Employment picture

A weekly report from the Department of Labor includes the number of new claims for unemployment insurance benefits under state programs filed by workers who recently lost their jobs, as well as the number of continuing claims filed by those who remain unemployed. This provides an early look at whether the labor market is improving or worsening on a state-by-state and national basis. For the week ending March 20, 2021, first-time claims for unemployment benefits fell to 684,000, the lowest level since before economic lockdowns began in mid-March of 2020.[2]

The ASA Staffing Index from the American Staffing Association tracks weekly changes in temporary and contract employment. Many employers rely on temporary help before hiring additional permanent employees, so staffing agency trends tend to lead nonfarm employment by three to six months. As of March 8-14, 2021, there were 11.2% more staffing jobs than there were one year earlier.[3]

Consumer behavior

The proprietary Johnson Redbook Index captures consumer spending trends based on weekly data from a representative sample of thousands of large general merchandise and apparel retailers. In an encouraging sign, this key index improved 9.4% year-over-year on March 23, 2021.[4]

The reservation app OpenTable has been monitoring the impact of COVID-19 on the hard-hit restaurant industry, providing data that doubles as an indicator of the "openness" of local economies around the world. Daily data shows changes in the number of people dining at restaurants compared with the same day of the same week in 2019. As of March 28, 2021, the weekly average number of U.S. seated diners was still down 29% from 2019, but had bounced back considerably from the last week in February, when the average was 40% below 2019.[5]

Mobility and travel

Other technology companies rolled out tools designed to help public health officials and policymakers around the world monitor day-to-day mobility trends with data collected from smartphone apps. Google's Community Mobility Reports show changes in visits to places like grocery stores, retail shops, and parks. Apple's Mobility Trends Reports show changes in routing requests (since January 2019) for walking, driving, and public transportation trips, the latter of which have been slower to recover.[6]

The number of people who pass through U.S. airport checkpoints is posted daily by the Transportation Security Administration. On March 21, 2021, a spring-break surge caused the number of air travelers to rise above 1.5 million for the first time in about a year. Still, this total was far below the 2.2 million air travelers on the same Sunday in 2019.[7]

The hotel occupancy rate (released weekly by STR) is another good indicator of the willingness of consumers and businesses to spend money on travel. U.S. hotel occupancy hit 58.9% in the week ending March 20, 2021, the highest level in a year. More importantly, the industry had recovered nearly 85% of comparable 2019 occupancy.[8]

Real-time tracker

In May 2020, Harvard-based nonprofit Opportunity Insights, in partnership with several private-sector providers of high-frequency data, launched a real-time Economic Tracker as a free public service. Interactive charts show day-to-day changes in U.S. debit- and credit-card spending, small-business revenue, employment, online job postings, and time spent outside the home. In addition to nationwide statistics, disparities in progress can be broken down by income and industry, as well as by state or metro area.

Fed indexes

The Weekly Economic Index (WEI), which is published by the Federal Reserve Bank of New York, signals the state of the U.S. economy based on 10 different indicators of consumer behavior, the labor market, and production that are available daily or weekly. The WEI is scaled to the four-quarter GDP growth rate, which means the weekly result is the economic growth that could be expected if current activity continued for a year. For the week ending March 20, 2021, the WEI jumped to 4.14% from -0.33% the previous week.[9]

In addition, the Federal Reserve Bank of Atlanta keeps a running estimate of GDP changes — GDPNow — that is updated based on a model that incorporates incoming economic data. On March 26, 2021, the growth estimate for the first quarter of 2021 was 4.7%.[10]

These estimates are based on current conditions, are subject to change, and may not come to pass. Neither is an official forecast of the Federal Reserve. When investing, it's generally wise to maintain a long-term approach based on your personal goals, time frame, and risk tolerance, rather than react too quickly to shifting economic dynamics.

1) U.S. Bureau of Economic Analysis, 2021

2) U.S. Department of Labor, 2021

3) American Staffing Association, 2021

4) Investing.com, 2021

5) OpenTable, 2021

6) Apple Mobility Trends, 2021

7) Transportation Security Administration, 2021

8) STR, 2021

9-10) Federal Reserve, 2021

U.S. Credit-Card Debt Levels See Record Drop in 2020

Despite the financial challenges experienced by Americans as a result of the coronavirus pandemic, U.S. credit-card debt dropped to record levels in 2020, decreasing by almost $83 billion.[1] This unprecedented drop was likely the result of individuals receiving financial assistance through the Coronavirus Aid, Relief, and Economic Security (CARES) Act and having access to more cash. Economic aid in the form of stimulus payments, suspended student loan payments, and broad state-sponsored unemployment benefits, allowed Americans to pay down their balances.[2] In fact, according to a U.S. Census Bureau survey, almost 60% of adults in households that experienced a loss in employment income during the pandemic used their second stimulus check to pay down debt.[3]

If you are still struggling to pay down your balances, here are some strategies to help eliminate your credit-card debt.

- **Pay off cards with the highest interest rates first.** If you have more than one card with an outstanding balance, one option is to pay the most to the card with the highest interest rate and continue making payments to your other cards until the card with the highest interest rate is paid off. You can then focus your repayment efforts on the card with the next-highest interest rate, and so on, until they're all paid off.
- **Apply for a balance transfer.** Many credit-card companies offer highly competitive balance transfer offers (e.g., 0% interest for 12 months). Transferring your credit-card balance to a card with a lower interest rate may enable you to reduce interest charges and pay more against your existing balance. Keep in mind that most balance transfer offers charge a fee (usually a percentage of the balance transferred), so be sure to do the calculations to make sure it's cost-effective before you apply.
- **Pay more than the minimum.** If you pay only the minimum payment due on a credit card, you'll continue to carry the bulk of your balance forward without reducing your overall balance. Instead, try to make payments that exceed the minimum amount due. For more detailed information on the impact that making just the minimum payment will have on your overall balance, refer to your monthly billing statement.
- **Look for other sources of available funds.** If you always seem to find that you don't have the extra cash available to pay down your balances, you may want to look for other sources of available funds. Are you expecting an employment bonus or other financial windfall in the near future? If so, consider using those funds to help eliminate or pay down your credit-card debt.

1) Credit Card Debt Study, WalletHub, March 2021

2) Credit Card Debt in 2020, Experian, November 2020

3) Household Pulse Survey, U.S. Census Bureau, March 2021

Investing in Stocks

Businesses sell shares of stock to investors as a way to raise money to finance expansion, pay off debt, and provide operating capital. Each share of stock represents a proportional share of ownership in the company. As a stockholder, you share in a portion of any profits and growth of the company. Dividends from earnings are paid to shareholders, and growth is realized by the increase in value of the stock.

Stock ownership also generally gives you the right to vote on management issues. Company executives work for the shareholders, who are represented by an elected board of directors. The goal of management is to increase the value of the corporation's equity. If shareholders are dissatisfied with the corporation's performance, they can vote for a change in management.

Why invest in stocks?

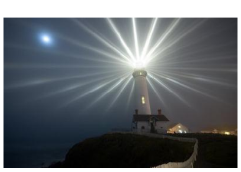
The main reason that investors buy stock is to seek capital appreciation and growth. Although past performance is no guarantee of future results, stocks have historically provided a higher average annual rate of return over long periods of time than other investments, including bonds and cash alternatives. Correspondingly, though, stocks are generally considered to have more volatility than bonds or cash alternatives.

Can you lose money?

Yes, you can. There are no assurances that a stock will increase in value. Several factors can affect the value of your stocks:

- Actions of investors: If a large number of investors believe that the nation is entering a recession, their actions can affect the direction of the stock market
- Business conditions: A new patent, an increase in profits, a pending merger, or litigation could affect investor interest and stock prices
- Economic conditions: Employment, inflation, inventory, and consumer spending influence the potential profit of a company and its stock price
- Government actions: Decisions on interest rates, taxes, trade policy, antitrust litigation, and the budget impact stock prices
- Global economy: Changes in foreign exchange rates, tariffs, or diplomatic relations can cause stocks to go up or down

All investing involves risks, and there can be no assurance that any investing strategy will be successful. However, understanding these factors can help you make sound investment decisions and keep losses to a minimum.



What are the different classifications of stocks?

Stocks are often classified in the following ways:

- Growth stocks have earnings that are increasing at a faster rate than the market average. These are usually in new or fast-growing industries and have the potential to give shareholders returns greater than those offered by the stocks of companies in older, more established industries. Growth stocks are the most volatile class of stock, however, and may be just as likely to go down in price.
- Value stocks are those of companies with good earnings and growth potential that are currently selling at a low price relative to their intrinsic value. Due to some problem that may be only temporary in nature, investors are ignoring these stocks. Since it can take quite some time for their true value to be reflected by their price, value stocks are usually purchased for the long term.
- Income stocks are generally not expected to appreciate greatly in share price, but typically pay steady dividends. Utilities are an example of companies that have historically been considered income-oriented.
- Blue chip stocks are the stocks of large, well-known companies with good reputations and strong records of profit growth. They also generally pay dividends.
- Penny stocks are very risky speculative stocks issued by companies with short or erratic performance histories. These stocks are so named because they sell for under $5 per share. Their low price appeals to investors willing to assume a total loss in exchange for the potential for explosive growth.

It is usually best to diversify among the different classifications and not own stock in just one or two companies or industries (though diversification alone cannot guarantee a profit or ensure against a loss).

How are stocks bought and sold?

During an initial public offering (IPO), new issues of stock are sold on the basis of a prospectus (a document that gives details about a company's operation) that is distributed to interested parties. Investment bankers or brokerage houses buy large quantities of the stock from the company and sell them to investors. After the IPO, the stock may trade on a stock exchange or over the counter.

Normally, stock is purchased through a brokerage account. The buy order you place will be directed to the appropriate stock exchange. When someone who owns the stock is willing to sell at the price you are willing to pay, the sale takes place. A commission or fee is charged on your transaction.

Stock certificates may be transferred from one owner to another since they are negotiable instruments. The certificates are issued in the buyer's name or, more typically, held by the brokerage house in street name (i.e., the brokerage firm's name) on behalf of the investor. The advantage of a street-name registration is that if you decide to sell, you do not have to sign and deliver the stock certificates before the sale can be completed. And you don't have to worry about losing the stock certificates.

How do you set up a brokerage account?

You will need to complete a new account agreement and make three important decisions:

Who will make the investment decisions? You will — unless you give discretionary power to your broker or agent. Discretionary power allows a broker or agent to make decisions based on what he or she believes is best for you. Unless you limit the broker's or agent's discretion, this may be done without consulting you about the type of security and number of shares involved, or about the time and price at which to buy or sell. Do not give discretionary power to your broker or agent without seriously considering if it is right for you.

How will you pay for the stock? A cash account requires you to pay for each stock purchase in full at the time you buy it. A margin account allows you to borrow money from the brokerage firm. Securities that you own are held as collateral, and interest is charged on the loan. If the account value falls below the specified amount required to maintain the loan (even as the result of a one-day market decline), you must pay down the loan balance to an amount determined in relation to your new account balance. This is known as a margin call and can potentially require the payment of a sizable amount of money.

What level of risk can you handle? You will be asked to specify your investment goals in terms of risk. Choices such as income, growth, or aggressive growth may be given. Make sure you understand the meaning of each term, and be certain that the level of risk you choose truly reflects your ability to handle risk. Any investment your broker or agent recommends should be based on the category of risk you selected.

Read the account agreement

Never sign a document without reading and fully understanding it. Early precautions can prevent later misunderstandings.

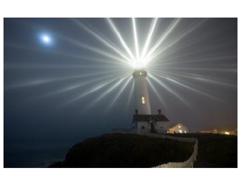
Keep good records of:

- Documents you sign
- Documents outlining the details of an account or investment
- Periodic account statements
- Transaction confirmations
- Documents verifying an account error was corrected
- Correspondence with your broker or agent

Review these as soon as you receive them. Discuss any discrepancies you find with your broker or agent at once, and follow up on any actions taken until you are satisfied. Never allow your broker or agent to mail statements and transaction confirmations to someone other than you. It's important that you check the accuracy of your own accounts.

Be patient

Some stock investors have made money quickly. But they are the exception rather than the rule. Investing in stocks requires a long-term outlook. Read books, attend seminars, and take advantage of professional advice. Education, good judgment, common sense, and above all, patience increase your chances of achieving your goals.



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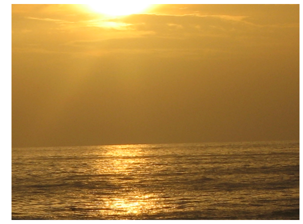

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