

Legacy Press

..... LIFESTYLE & LEGACY CHOICES BY DESIGNSM

Fact

5 million investors, with assets of \$100,000 or more, use social media to investigate their financial decisions.

Source: LinkedIn/Cogent

"What sets Waller Financial apart from our competitors is our experience, our independence and our objectivity. Clients work with us as a team, not as an individual."

Charles Kerwood, III
CFP®, ChFC®, AEP®

Vacation Homes: Do I "Buy" or Do I "Rent"?

By: Charles Kerwood, III, CFP®, ChFC®, AEP®



On various occasions, clients ask us whether it makes financial sense to purchase or rent a vacation home. The question seems simple on the surface, but there are more questions we must ask. Consider the following pros and cons:

- 1. Do you enjoy traveling each year to different places?** If so, owning a vacation home, rather than renting, may cause you to forgo other travel plans. You may feel obligated to spend time at the vacation home, since you are paying all the expenses associated with that property.
- 2. If you buy, will you pay cash or will you borrow? If you borrow, will you need to rent the property to help repay the debt?** If you borrow, it is important to know the true cost of the debt. For example, Florida has no state income tax, but they do have documentary stamp tax when taking out a mortgage. Currently, that rate is \$0.35 per \$100 (or portion thereof). A \$400,000 mortgage would have an additional cost to borrowing of \$1,400, besides the other standard closing costs.
- 3. Understand all of your costs.** Homeowners understand that there are many expenses associated with owning a home: property taxes, insurance, maintenance, repairs, utilities, association fees, etc. Obviously, these expenses exist when you purchase a vacation home, too. Be sure to budget for all of these expenses when considering the purchase of a second home. A few additional pros of owning property include more stable housing costs from year-to-year, ability to rent the property to others for additional income, potential tax benefits and the ability to customize the space to your own taste.

If you intend to rent the property, be sure that the home can be used as a rental. Some condominium and homeowner associations have very strict rules for rentals. If you do intend to rent, be aware of all the association rules.

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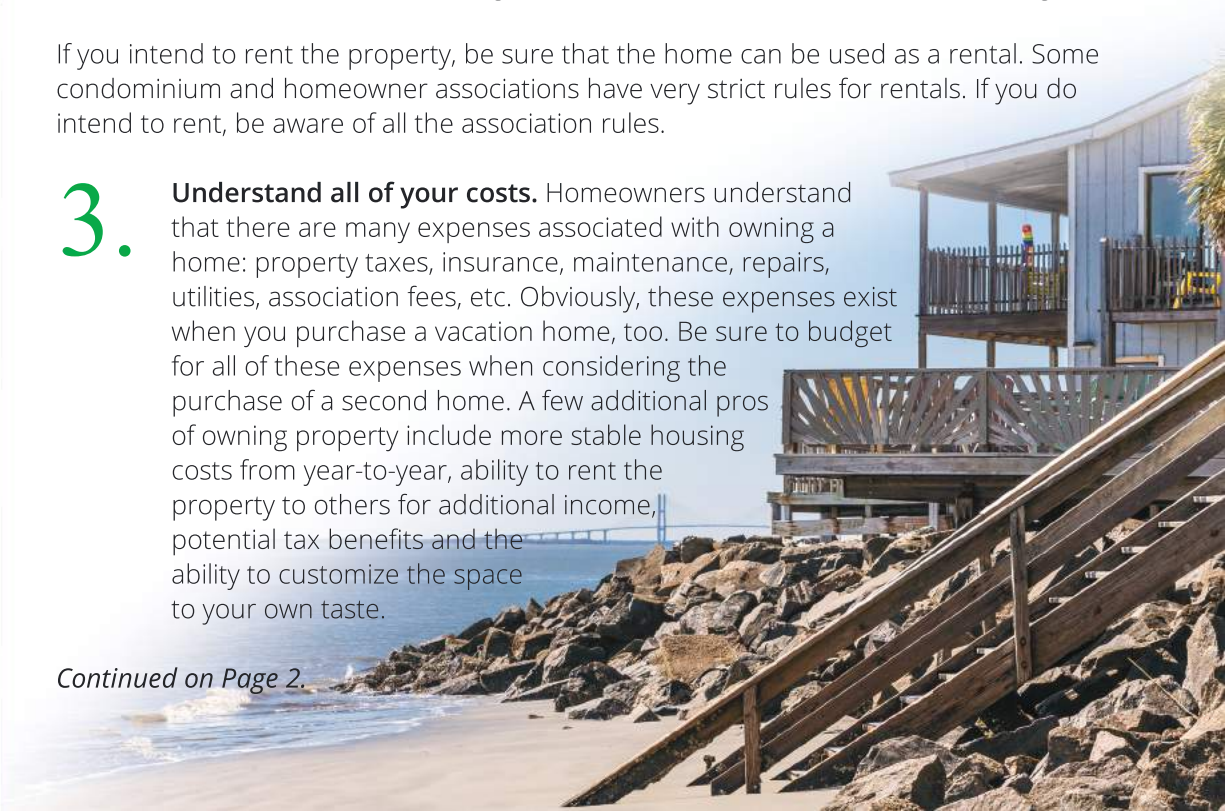
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Vacation Homes: Do I "Buy" or Do I "Rent"? (Continued)

If you are renting the property, be sure to take into account any taxes you will need to pay. Rental income is subject to federal and state taxes, but may be subject to other county or state taxes, especially for short-term rentals. Some pros of renting also include reduced liability, no yardwork and no maintenance or repair costs.

When deciding whether to buy or rent, be sure to discuss with your financial planner before taking the plunge.



By: Jason Eliason, CFP®, ChFC®, CFA®

4 Tips to Avoid Identity Theft

✓ It's obvious, but use strong passwords

Living in a digital world, remembering and managing passwords is tedious work. There are a number of approaches you can take to manage your passwords: keep them in a secure digital file or use a password manager program such as **1Password**, **LastPass** or **Dashlane**. These programs encrypt all of your various login information into a secure digital vault, and lock it with a single master password. These programs have a number of beneficial features, such as password generation, auto-fill security information into websites, two-factor authorization and work across multiple devices.

✓ Keep your anti-virus/anti-malware software up-to-date

Malware programs are common for stealing personal information. Malware is an abbreviation for malicious software, which is designed to gain access to your computer without you knowing. Typically, people introduce malware or a virus to their computer via email attachments or visiting certain websites. As a general rule-of-thumb, do not click on links in emails unless you are certain you know the email sender.

Another common technique used by identity thieves is designing websites that appear legitimate. This is especially important when shopping online. Make sure the checkout process provides full encryption, use websites that start with "HTTPS" instead of "HTTP," and don't purchase something if the price is too good to be true. The 's' in "HTTPS" stands for "secure." HTTPS sites use code to scramble data, so no one else can read the information. You can verify if a site provides full encryption by looking for the padlock symbol at the bottom of your browser.

✓ Pay attention to your credit report

It is very important you know what credit card accounts are open in your name. A credit report will tell you every account that is open under your name. I recommend using www.annualcreditreport.com and www.creditkarma.com. Both sites are secure and consumer-oriented. I also recommend using credit-monitoring services, such as **LifeLock**.

No company can 100% guarantee preventing identity theft, but credit-monitoring services offer assistance in fixing an identity breach.

If you do not need to establish any new credit accounts anytime in the near future, consider placing a credit freeze on file with the three major credit bureaus – **Experian**, **TransUnion** and **Equifax**. A credit freeze will block anyone from accessing your credit report. Having a credit freeze in place can be tedious work, as you need to contact each credit agency to turn it on and off, and they may charge you for this service.

✓ Use secure and non-public Wi-Fi

Non-secure, public Wi-Fi is an easy way for hackers to access your personal information. If you are using a non-secure Wi-Fi, do not execute any financial transactions or log in to any account where you have stored financial data. Also, make certain your home Wi-Fi password is protected. If you do not have an established password, anyone within several yards of your house, including your neighbors, can use your Wi-Fi.

There is no silver bullet to ensure your identity is not stolen, but these steps can help. The best approach is to **protect and monitor** all of your accounts. Protect accounts by using strong passwords, avoid phishing solicitations, and keep your malware software up-to-date. Monitor them by reviewing your credit report or subscribing to a service. In the unfortunate situation where your identity is stolen, you must act swiftly.



Household Employment: Requirements & Common Misconceptions



By: Jason Farris, CFP®, CAP®

Hiring help around the home to assist your family is not a new concept. Many often believe this pertains to only wealthy families; however, the notion that household employees are only for wealthy families is changing. Over the last decade, we have seen the emergence of online companies connecting families with individuals to help with a variety of needs around the home.

While it has become easier and more convenient to hire help around the home, it can pose challenges. For example, trying to hire a housekeeper, gardener, caretaker for elderly parents or nanny for your children may be a very complex transaction - one which involves various aspects of law, taxation and risk mitigation.

Hiring a household employee can be intimidating, but the alternative of “paying under the table” is not worth the risk. It is the law to report a household employee. By not doing so could lead to tax fraud charges to both the employer and worker. Additionally, workplace accidents happen, and in order to protect your family from financial consequences you must have workers’ compensation insurance – which can only be obtained by employers who are registered with the Internal Revenue Service.

Before hiring a household employee, you should consult with a financial planner, attorney, accountant and insurance professional to review your personal circumstances to make sure a domestic worker makes the most sense for your family. Here are a few items to use as a primer:



Misconceptions

The following are the three most common misunderstandings clients have expressed to us.

They only work part time; therefore, he/she is not considered a household employee. Incorrect – part-time or full-time employment status is not a determining factor.

I hired a worker through an agency, which precludes the worker from being considered a household employee. Once more, not true – hiring a worker through an agency doesn't necessarily mean you are off the hook as an employer.

Compensation is not a salary agreement; consequently, the worker is not considered a household employee. Again, this is an inaccurate statement. Whether you pay the worker on an hourly, daily, weekly basis, or by the job, frequency of compensation is not part of the criteria when determining if you have a household employee.

Household Employee or Self-employed

When determining if a worker is a household employee or self-employed, ask yourself these three questions:

- 1. Does the worker control how the work is completed?
- 2. Will the worker provide his or her own tools when performing tasks?
- 3. Does the worker offer services to the public?

If you answered “yes” to all three questions, the worker is likely deemed a self-employed contractor and not a household employee; therefore, you are not an employer and can simply pay the invoice for the services rendered.

Items to Consider

Hiring a payroll service?

The seemingly simple act of paying an employee is not so straightforward, especially if you have never done it before:

- Should you withhold Federal Income Taxes?
- Are you required to withhold State or Local Income Taxes?
- What about employment taxes? Do you know how to account for Medicare and Social Security?
- What about Federal Unemployment Tax?
- Do you know if your state has unemployment taxes, as well?

Navigating payroll is not impossible, but for someone with no experience it will be difficult.

Meet with your Insurance Professional

If you don't have an appointment scheduled, plan to do so in short order. Outline a plan of having a household employee and review your property and casualty policies. There are liability factors anytime someone is on your property. Make sure there are no exclusions in your policy, which may result in financial exposure.

While it has become easier and more convenient to hire help around your home, it doesn't mean you should hastily commit to having a household employee. Don't take this decision lightly, it requires a great deal of thought and consideration.



941 Chatham Lane
Suite 212
Columbus, Ohio 43221
614.457.7026
www.waller.com

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News and Notes

Contest: Buckeye Football Tickets Give-A-Way



We are having a special contest give-a-way for two tickets to the Oct. 29 OSU versus Northwestern game. *One lucky winner will be chosen.

***Eligibility Rules:** To participate, submit correct answer to info@waller.com. Deadline for response is **Oct. 20.** – Ineligible after date. We will contact the winner Oct. 21. –Thanks for participating!

Question:

Jason Eliason suggested three password manager programs. What is one of them?

Congratulations to Michelle and Chris Olsgard



Photo courtesy of DDF Photography

Congratulations to Michelle and Chris Olsgard on their third addition to the family. Anders Edward Olsgard was born Sept. 1 and weighing 8 lbs. 8 oz.