



Balanced Living – October 2018

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Taxes on Your Investments



Besides knowing how investment earnings are paid out, it is important to know how your earnings will be taxed.

- Capital gains on investments held more than a year are taxed at lowered rates, and sometimes not taxed at all.
- You may be able to deduct up to \$3,000 in net capital losses each year.

How interest is taxed

Interest on bonds, certificates, and savings accounts is taxed as ordinary income unless the investment is tax exempt or deferred— as it is with many retirement accounts and municipal bonds. Municipal bonds issued by most states and their subdivisions may be free of federal and state taxes depending on the investor’s state of residence. That said, income from tax-exempt municipal bonds or municipal bond funds may be subject to state and local taxes, and a portion of income may be subject to the federal and/or state alternative minimum tax for certain investors. Federal income tax rules will also apply to any capital gains. US government bonds may be free of state taxes.

How dividends are taxed

Ordinary dividends are taxed at the taxpayer's ordinary income tax bracket.

Certain qualified dividends, however, are taxed at the lower capital gains rates, as noted in the chart below.

How short-term capital gains are treated

Short-term capital gains, which are gains on investments that are held for a year or less, are taxed at your ordinary income tax rate.

How long-term capital gains are treated

Capital gains on investments that are held for more than a year (called long-term capital gains) are taxed at a lower rate than most other forms of income. Prior to the new tax law that took effect in 2018, net long-term capital gains were taxed at 20% for taxpayers in the 39.6% tax bracket, and 15% for taxpayers in the 25% to 35% brackets. For those in the 10% and 15% brackets, long-term capital gains were taxed at 0%. The new law establishes income levels rather than tax brackets for both long-term capital gains and qualified dividends. These income levels also differ according to filing status.

Net investment income tax

A 3.8% net investment income tax applies to certain net investment income of high-income individuals, estates, and certain trusts. For individuals, the tax generally applies to taxpayers who have certain investment income (such as interest, dividends, capital gains, etc.) and also have more than \$200,000 of modified adjusted gross income if single taxpayers, or \$250,000 if married taxpayers filing jointly

You can deduct net capital losses

Another important tax implication is centered on capital losses —the opposite of capital gains. If you lose money on your investments, you may be able to deduct up to \$3,000 of your losses in excess of any gains from your taxable ordinary income. Losses over \$3,000 may be carried over to future years. This explains why so many people sell their stocks in December. Investors often choose to unload securities that are losing money in December in order to offset capital gains realized elsewhere in their portfolio and incidentally take advantage of this deduction on their income tax forms.

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How to Win Your War Against Seasonal Allergies

Allergies occur when your immune system overreacts to a substance that is usually harmless to most people. The substances that cause this reaction are called allergens.

Allergic reactions to airborne allergens commonly found outdoors are called seasonal allergies, according to the National Institute of Allergy and Infectious Diseases (NIAID). Common outdoor allergens are tree, grass and weed pollen and mold spores. To cause allergic reactions these allergens must be inhaled into the nose and lungs.

Symptoms of seasonal allergies are sneezing; itchy, runny nose; itchy, watery, red eyes; nasal congestion; and coughing.

If you have seasonal allergies, the NIAID says, the timing of your allergy attacks is a clue to what causes them:

- If you suffer in late winter or early spring, you are probably sensitive to tree pollen: ash, beech, birch, cedar, cottonwood, box, elder, elm, hickory, maple and oak.
- Grass pollen dominates the late spring and summer months. These are common grasses that cause allergies: Kentucky bluegrass, timothy, Johnson, Bermuda, redtop, orchard, rye and sweet vernal.
- Weeds pollinate in late summer and autumn. Ragweed is a major cause of weed pollen allergies. These are other weeds that cause allergies: cocklebur, lamb's quarters, plantain, pigweed, tumbleweed or Russian thistle and sagebrush.
- Mold spores usually cause allergic reactions from July to late summer.

The evening TV news/weather in most cities frequently offers a pollen/mold count showing which are high. This may help you determine which pollens or mold causes you the most problem.

If you have trouble pinning down the causes of your allergy problems, you may need to see an allergist. Once you know the cause, you'll know what to avoid and when to be careful. By using common sense, you should be able to lead a normal life.

Allergic reactions cannot be cured, but the following strategies from the NIAID can help you tame your symptoms.

Limit pollen exposure

- When pollen and mold counts are high, stay indoors as much as possible and keep windows and doors closed. Never sleep near an open window.
- Use a central air conditioner and keep the filter clean.
- When riding in a car, keep the windows and vents closed. Set the air flow to re-circulate or use the air conditioner.
- Steer clear of open fields when you're outside. Let someone else mow your grass and weed your garden.
- Learn the safest times to be outside. Pollen counts are lowest for an hour or two after a hard rain. They're highest at about 6 a.m. on days with sun and light wind.
- If you are outside for an extended period of time, wash your hair and change your clothes when you come indoors.

Use medication properly

Here are tips from the NIAID on how to use allergy medication:

- Nonprescription antihistamines and decongestants come in pill, sprays and liquid forms. Because these can interact with other medicines you might be taking, talk to your health care provider before using them.
- Over-the-counter (OTC) antihistamines block the effect of histamine, a chemical made by the body in an allergic reaction. They help relieve sneezing, itching and runny nose. Although they can cause more drowsiness than prescription pills, they tend to work faster to relieve symptoms. Claritin (loratidine) is a less-sedating antihistamine available without a prescription.
- Decongestants improve breathing by decreasing blood flow. They are available as eye and nose drops and sprays, and as pills and liquids. The pill and liquid forms relieve symptoms such as stuffy nose and drainage but will not relieve itching and sneezing. Nasalcrom (cromolyn sodium) is an OTC anti-inflammatory nasal spray that treats runny nose and sneezing by blocking the release of histamine and other chemicals that cause inflammation. It should be used before the allergy season starts and continued daily during the allergy season.
- Prescription nasal corticosteroids sprays are effective but don't reach their full potential for several days. You should start taking them at the earliest sign of symptoms or before your season of allergies begins. Avoid OTC nasal sprays (or do not use for more than three days); although they make you feel better for a while, they have a "rebound effect" that actually increases the swelling in your nose.

If your allergy is severe, your health care provider may have you build up your resistance with regular "allergy shots" that contain small doses of the pollens that bother you. This process is called "desensitization." It works for about 80 percent of the hay fever patients who try it, the NIAID says.

Other allergy tips

- A good workout opens up nasal passages and can make you feel better. Exercise indoors so your deep breathing doesn't expose your nose to more pollen.
- Avoid drinking alcohol. It will make you feel more congested. Never mix alcohol and antihistamines, because that can cause drowsiness and a lack of alertness and make driving extremely dangerous.
- Don't smoke. Smoking can cause an allergic reaction or make existing sensitivities worse.
- Relax. Stress can increase your sensitivity.

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Ways to Enhance Your Self-Esteem

Feeling good about yourself is an essential element to living a healthy, happy life. Unfortunately, we are often our own worst enemy. Whether we are insecure about certain parts of our lives or we set

unrealistic expectations for ourselves, how we feel about who we are and how we live our lives can greatly impact our quality of life. The good news is self-esteem is something you can work on and change for the better. Read on to find how you can increase your self-esteem and enhance your life.

Replacing Negative Self-Talk with Positive Self-Talk

What happens when you make a mistake? Listen to your internal monologue and find out what you're saying to yourself and about yourself. By tuning into how you treat yourself internally, you can make your internal monologue more positive. When you don't verbally beat yourself up, you can bring more positive feelings into your life.

Praise Yourself

Take some time to reflect. What have you accomplished? It doesn't matter if it is a big thing or a small thing, if it means something to you and makes you feel good, it's important. Write them down on a piece of paper or take time to think about each success. By noting them, you can realize that what you've done is significant.

Speak Up When Necessary

Don't be a doormat. Think before you speak but speak up when it is necessary to do so. Respect the opinions of others, and also respect that you have an opinion, too. Teaching yourself to be assertive and to communicate effectively can help your relationship with others and your relationship with yourself.

Be Understanding

If you make a mistake or blunder, don't take it too seriously. Mistakes happen all the time, so forgive yourself and others when they happen. Don't criticize or dwell on what's happened, move forward and use it as a learning situation.

Nurture Good Relationships

Who do you spend time with? The friendships and relationships you choose say a lot about how you feel about yourself. It is important for the people who are close to you to be supportive and kind to you. If they aren't, reconsider those relationships. Finding people who support you helps you support yourself.

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Starting Monday, October 1, 2018

“Investing 101”

Do you want to invest but don't know where to get started? This webinar will help you to understand what investing is, what it means, and how the "miracle" of compounding works. It will also cover some of the building blocks of investing and provide some insights into techniques with the goal of helping you think about which investing strategies are right for you. Please go to www.espyr.com to view this webinar, log in using our password, click on “webinars” and select the featured webinar

“Please feel free to submit questions relevant to the webinar throughout the month. The subject matter expert will answer these questions and they will be posted alongside the webinar recording. The questions and answers will be a permanent part of the webinar archive to which you will have access.”

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