Spring 2018

CAMBRIDGE QUARTERLY NEWSLETTER

New Tax Law?
What You Need to Know

how to negotiate for lower bills

REWARDS CARDS
Make Them Work for You

A PERSONAL FINANCE LETTER PRESENTED BY CAMBRIDGE CREDIT COUNSELING

67 Hunt Street • Agawam, MA 01001 • (800) 527-7595 • www.cambridge-credit.org

REWARDS CARDS
MAKE THEM WORK FOR YOU

WHERE TO START

EARN MONEY BY USING YOUR CREDIT CARDS FOR NECESSARY PURCHASES LIKE GAS AND GROCERIES. SOME CARDS OFFER TRAVEL REWARDS LIKE AIRLINE MILEAGE, BUT THESE MAY ONLY BE WORTH IT FOR PEOPLE WHO TRAVEL SEVERAL TIMES A YEAR. YOU ALSO SHOULD DO SOME QUICK CALCULATIONS. IT COULD TAKE A SIGNIFICANT AMOUNT OF TIME TO BUILD UP ENOUGH MILES TO QUALIFY FOR THE TRIP YOU WANT TO TAKE. THESE CARDS ALSO GENERALLY COST MORE IN ANNUAL FEES.

NEW TAX LAW?

The Tax Cuts and Jobs Act (TCJA) of 2017 is the biggest change in the world of taxes in the last 30 years, so it makes sense that many people may be concerned. In fact, based on a recent survey by TaxAudit, 77% of workers are confused, and 42% don't know if this new law will benefit them. NerdWallet found that 26% of respondents weren't even aware that a new tax bill had been enacted. The Joint Committee on Taxation estimates that the Act's changes will reduce federal tax revenues by $1.46 trillion in the next decade. These are concerning numbers, and with the new law running close to 1,000 pages, it may take time to discover all of its effects. Let's begin by talking about common questions you might have about the new tax law and how it may apply to you. Please note, however, that we're only touching on a few areas and examples representing the TCJA. For information about your specific situation, consult a tax specialist, or visit: *https://www.congress.gov/bill/115th-congress/house-bill/1* to learn more.

HOW DOES IT AFFECT ME?

You'll still be able to itemize your deductions or claim the standard deduction. Of course, this was true before TCJA, but let's take a quick look at the differences between the two. Itemized deductions consider certain situations, which may qualify as deductions, to reduce your taxable income, possibly lowering your taxes. Some examples of these include large medical/dental expenses, uninsured casualty such as a fire or flood, and donations to charities. Standard deductions are a simple, fixed dollar amount that reduces you taxable income. You might be more familiar with standard deductions.

What people might find most important is that the standard deduction nearly doubles under the TCJA. A single filer's standard deduction increases from $6,500 to $12,000; a joint filer's increases from $13,000 to $24,000, and the head of household deduction increases from $9,550 to $18,000. These reductions in tax liability are offset by changes in deductions for state taxes, however, as we'll see below.

The tax brackets for both married and single filers have also changed. In 2017, the brackets were 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%. In 2018, there are still seven brackets, but a few of the percentages have changed. The new brackets are 10%, 12%, 22%, 24%, 32%, 35% and 37%. This means that many American taxpayers may wind up in a lower tax rate bracket. This graph shows you the monetary value associated with each bracket percentage.

TAX BRACKETS AND RATES FOR 2018

Rate	Unmarried Individuals, Taxable Income Over:	Married Individuals Filing Joint Returns, Taxable Income Over:	Head of Household, Taxable Income Over:
10%	$0	$0	$0
12%	$9,525	$19,050	$13,600
22%	$38,700	$77,400	$51,800
24%	$82,500	$165,000	$82,500
32%	$157,500	$315,000	$157,500
35%	$200,000	$400,000	$200,000
37%	$500,000	$600,000	$500,000

Lisa Green
ACH Manager

LISA IS OUR ACH MANAGER AND HAS BEEN WITH US FOR 17 YEARS. HER DEPARTMENT HELPS CLIENTS DURING THE BEGINNING OF THEIR JOURNEY WITH OUR PROGRAM. LISA AND HER STAFF ARE VITAL TO OUR OPERATION. WE LOVE LISA'S ATTITUDE AND HER ATTENTION TO DETAIL

"IT'S NICE TO GO TO WORK AND ENJOY WHAT YOU'RE DOING. SPEAKING TO CLIENTS AND HEARING HOW MUCH WE'VE HELPED THEM IS A GREAT FEELING. WE'RE HERE TO HELP PEOPLE GET THROUGH A TOUGH TIME. IT'S GREAT TO WATCH THEM COMPLETE THE PROGRAM AND KNOW WE HELPED TO GET THEM THERE."

RESEARCH

MANY CONSUMERS DON'T THOROUGHLY RESEARCH THEIR CREDIT CARD OPTIONS BEFORE APPLYING. TYPICALLY, THEY RELY ON PERSONAL RECOMMENDATIONS, BUT WITHOUT DOING THEIR HOMEWORK FIRST, THEY COULD BE MISSING OUT ON REWARDS OR SPENDING TOO MUCH ON ANNUAL FEES.

ANNUAL FEES

YOU ALSO WANT TO MAKE SURE THAT YOU'RE NOT PAYING MORE FOR AN ANNUAL FEE THAN YOU ARE MAKING BACK IN REWARDS. THERE ARE PLENTY OF CARDS FOR PEOPLE WITH AVERAGE CREDIT WITHOUT ANNUAL FEES.

Here are a few more significant changes under TCJA:

For parents with children under the age of 17, the child tax credit will double from $1,000 to $2,000, and more families will be able to qualify for it. People with non-child dependents will receive a $500 credit. You won't be able to write off your tax preparation fees from the previous year.

Although there was talk of eliminating the student loan interest deduction, the final version of TCJA didn't strike it out.

The penalty tax from the Affordable Care Act, which penalized you for not having health insurance throughout the calendar year, will be dissolved in 2019. This penalty tax does remain throughout this year, 2018, so make sure that you have qualifying heath care.

The bill was meant to get rid of the Alternative Minimum Tax (AMT) in its entirety. For those who may not know, the AMT primarily affects high-income tax payers. It was created in the 1960s to ensure that high-income earners were actually paying income tax. AMT is calculated differently from normal tax in a way that factors in lots of deductions for things like charitable contributions and mortgage interest. If you want to determine whether the AMT option might benefit you, we encourage you to consult a tax specialist.

WHAT HAPPENS TO HOMEOWNERS?

If your mortgage is less than $750,000, you have nothing to worry about. However, if your mortgage is over $750,000 and you itemize deductions (which are typically for households that earn at least $100,000 a year, or when you've had large medical expenses over the preceding year), you could expect to see an increase in taxes owed.

Previously, taxpayers could reduce their taxable income by claiming the property tax they paid that year. The TCJA limits the deductions for state and local property tax, sales tax, AND income to $10,000, or $5,000 if you are married and filing separately.

The home equity deduction also changes a bit. You will still be able to deduct interest for home equity debt, but only if the loan was used to buy, build, or improve the home substantially. For example, you may no longer deduct interest for home equity debt that was used to pay down credit card debt, but it would be deductible if you used it to replace the roof on your home.

Another potentially significant change for many Americans: moving expenses will only be deductible for active duty members of the armed forces. Until now, you could deduct expenses for moving based on factors such as the distance and time involved.

continued on back

Produce in Season for Spring

1.) ASPARAGUS
2.) BEETS
3.) CHIVES
4.) DANDELION GREENS
5.) LEEKS
6.) LETTUCE
7.) LIMES
8.) ORANGES
9.) PEAS
10.) STRAWBERRIES

continued from front

NOW WHAT?

You might be asking yourself how will the TCJA will change how you prepare your taxes? For at least the first year, you could consider enlisting the help of a tax preparer or reputable tax preparation software. They should be prepared for the changes, and the peace of mind might be worth the associated costs. If you don't already have a preferred tax preparer, you need to do some research to make sure you hire someone who is competent and capable. You might consider the services of a certified public accountant, licensed attorney, or an enrolled agent, because these people will typically represent you if the IRS calls to audit your filing. Also, don't think that paying more for a tax service means it's more legitimate; you can hunt for the better deal!

NEGOTIATE YOUR BILLS!

Many of your bills can be negotiated, including your internet, cable, cell phone, car insurance, and sometimes, even your rent. It never hurts to ask, but remember the old adage that you catch more flies with honey. Be polite yet firm. Chances are that the customer service representatives working for these companies have had dozens of phone calls (this week) from people looking to lower their bills. They will appreciate a friendly tone, even if you're being assertive.

It's important to point out that the first representative you contact may not have the ability to help you reduce your bill. They are the company's first line of defense, and you will usually need to get past them to move forward. When they apologize for not being able to help you, tell them that it's no problem, but you would like to be connected to someone who can. Your call might be transferred several times, but the money you save will be worth it.

PATIENCE - First and foremost, be patient. Your first call might not lower your bill, your second call might not lower your bill, even your third or fourth, but setting aside a few hours to make these calls could save you hundreds in the long run. So, remember your main objective! Also,

not every representative you speak with is going to be as polite as you. If the conversation isn't going in the direction you planned, there's no shame in asking to speak to a different representative, or getting off the phone and following up with another call.

PREPARATION - If you are a long-time customer and you make all your payments on time, your creditor wants to keep you. Make a note of how long you have been with the company, and how many payments you have made. "I've been a customer for three years, and I have made all thirty-six payments on time." Next, if you're going to be negotiating your cellphone or internet bills, tally up what you're using versus what you're paying for. They might be able to offer you a different plan that is better suited to you, possibly at a lower cost.

THREATENING TO LEAVE - Ask to be transferred to the company's retention or cancellation department, but be prepared for them to call your bluff. This is a good time to mention their competitor's rates on similar services. You could tell them that it would be more convenient for you to stay with your current service, but making payments is difficult, and their competitor is offering a great introductory deal.

Whatever service you're trying to negotiate, you can expect a similar experience. Be prepared, polite, firm, and be willing to walk away from the negotiation. Search online if you would like to learn about more company-specific experiences from people who took the initiative to reduce their payments. Good luck!