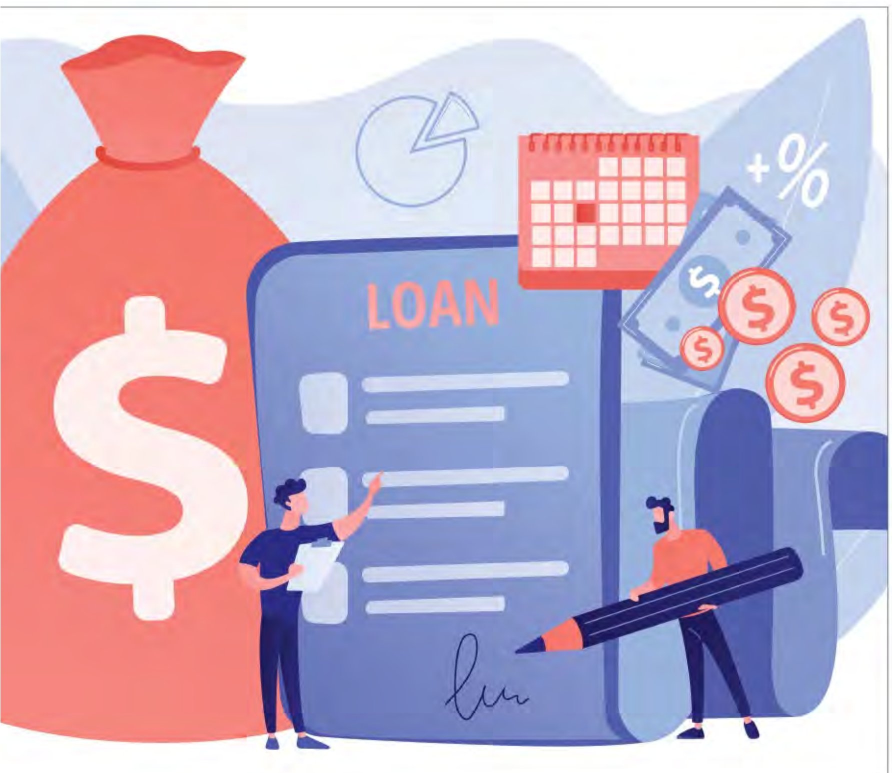
HAMADA FINANCIAL GROUP'S FINANCIAL NEWS DIGEST



MONEYLINE

Lending To Family Or Friend? Do It Right.

Courtesy of Shaun T. Hamada

Shakespeare might have had it wrong when he wrote that to preserve friendship as well as money, "Neither a borrower nor a lender be."

Both borrowers and lenders can profit — and stay friends — as long as they're professional about it and put the details in writing. Consider hiring a third-party to facilitate your loan— including business loans and mortgages — between people who are friends or relatives.

Why pay a go-between to get a loan from Mom? Billions in loans between people who are friends or relatives are made each year. They can be trouble because the terms are often vague, the options if the borrower encounters financial problems aren't spelled out and, after the loan is made, the parties may feel awkward about the arrangement.

The typical behavior is to say, 'OK, here's the $25,000. I'd like you to pay me back in three years. There are no details. No payment plan. And potential problems with the IRS.

But if done well, loans between friends can benefit both sides. The borrower can get a good interest rate and the lender can earn a competitive return on his money.

HAMADA FINANCIAL GROUP, LLC
Shaun Hamada
Financial Services Professional
Davies Pacific Center
841 Bishop Street, Suite 1900
Honolulu, HI 96813
(808) 888-9985
shaun@hamadafinancialgroup.com
www.HamadaFinancialGroup.com

Real estate commissions must be disclosed under a settlement between the US Department of Justice and the National Association of Realtors. Sellers' agents must disclose the commission they offer to buyers' agents for properties on a multiple listing service. And buyers' agents must tell their clients about the compensation they are being offered—they cannot describe their services as free to the buyers. The idea is to encourage price competition among agents so both sellers and buyers can compare costs and negotiate for better deals
Source: The New York Times

Avoid this costly IRA mistake: If you've inherited an IRA, the IRS makes it easy for you to consolidate your retirement accounts by rolling over the inherited IRA into your own IRA. *Caution:* The IRS allows only one rollover in any 12-month period (not within a calendar year). If you rollover two IRAs within a year, the entire amount of that second rollover is treated as a fully taxable distribution. This applies to traditional and Roth IRAs, but it does not count with IRA rollovers to or from 401(k) accounts, nor from one 401(k) to another 401(k).
Source: ThinkAdvisor.com

"He that waits upon fortune, is never sure of a dinner."
—Benjamin Franklin

Asking The Right Questions About Retirement

By Elliot Raphaelson, Tribune Content Agency

Laurence Kotlikoff, an economics professor at Boston University and Social Security expert, was recently interviewed in Barron's by Neil Temblin. Kotlifoff discussed retirement issues that he covers in a new book due in January.

Kotlikoff made the interesting observation that most people do not ask the right question about retirement. He believes it's not very useful to ask how much you would like to spend in retirement. After all, retirees can only spend what they have. Rather, Kotlikoff believes the objective should be for retirees to maximize their lifestyle based on the wealth they have amassed.

Consider the tendency of too many retirees to claim their Social Security benefits as soon as possible at age 62. Kotlikoff compared that approach to reducing the amount you spend on your homeowner insurance to make sure you won't lose money if your house doesn't burn down. It's twisted logic. He points out that if you are alive at 90 — and more people are living to that age and beyond — you will be happier if you had waited until age 70 to start collecting Social Security, as your benefit will be 76% higher than if you started taking it at 62. Waiting to apply for Social Security benefits solves one of the biggest financial risks we face: living too long and outliving our financial resources.

I have written before about the advantages of waiting until 70 to begin benefits, but not everyone can afford to do so, and retirees have to take into consideration their health status when they decide how long to wait to initiate benefits.

In the Barron's interview, Kotlikoff discussed other mistakes retirees make, such as retiring prematurely. He points out that some retirees will be retired longer than they have worked. Every year you delay retiring, he pointed out, is a year less that you have to finance from saving.

Another common mistake is not downsizing early enough. Kotlikoff suggested that many retirees who live in high-expense areas should consider moving to lower-cost areas where they can have just as good a lifestyle, perhaps better.

Temblin asked if he believed money spent on education was well spent. Kotlikoff believes that for 60% of those who attend college, it is a worthwhile investment, but 40% don't finish. Kotlifoff argues that nobody should borrow to attend college. He believes it is too risky.

I agree it is risky, and many should think seriously about borrowing, but for many it is necessary — especially for those who must attend college for more than four years in order to receive a law or medical degree.

Temblin asked Kotlikoff about investing. Kotlikoff suggested that retirees remain invested in the stock market, [according to their risk profile and other unique circumstances], as they age.

Negotiate A Better Deal On A Home

By Daniel Bortz, Kiplinger's Personal Finance

Home buyers have experienced serious sticker shock over the past year and a half — and that's likely to continue with the extraordinarily high demand from buyers and an acute shortage of homes for sale. Fortunately, there are ways to negotiate a better deal when buying a home that can also help save you money.

Existing homes sold for a median price of $359,900 in July, up from $305,600 in July 2020,

according to the National Association of Realtors.

"Unless a house is grossly overpriced, homes are selling within days and with multiple offers," reports Adam Linder, a real estate agent with Northrop Realty, based in Rehoboth Beach, Delaware. Indeed, homes typically remained on the market for just 17 days in July, NAR says.

In a seller's market, Linder says, buyers must use clever tactics when making and negotiating a home offer.

Make a cash offer. Although mortgage rates remain historically low — the average rate of a 30-year mortgage was 3.05% in mid-October, according to Freddie Mac — nearly one-third of U.S. home purchases so far this year have been all-cash deals, a Redfin survey in July found.

Making a cash offer can be a winning bidding-war strategy. "If you're paying in cash, you have an automatic leg up, because sellers are looking for security," Linder says. "Sellers want to be confident that the sale will close, and cash buyers can give that to them by waiving their financing and appraisal contingencies."

Offer a lease-back agreement. With homes selling so quickly, sellers who put their house on the market before purchasing their next home may be enticed by a lease-back offer. A lease-back is an arrangement in which someone sells their home and then rents the property from the new homeowner, typically for up to 60 days.

Want to make your bid more attractive? You could offer to pay for the seller's utilities while they're renting the property from you — or offer a free lease-back if you know that you're facing a lot of competition.

No matter what, make sure to charge the seller a refundable deposit to cover any damage that they do to the property while they're renting from you.

Get creative. "We've seen a lot of creativity from buyers in this market," says Natascha Tello, a real estate broker at Keller Williams Realty in Miami. A few strategies that buyers are offering include disposing of a seller's furniture; paying for a seller's moving costs; covering any appraisal gap; waiving a home-inspection contingency (except for major repairs); and paying part of a seller's closing costs.

"You saved $126 for your retirement. My advice is to convert it all to pennies and reinvest it at the nearest wishing well."

Retirement business ideas to consider:
Become a financial adviser if you meet the educational and licensing requirements and have done well with your own money. *Be a consultant* if you are an expert in your field and well-connected with a network of companies. *Help startup companies with administrative tasks* if you have expertise in marketing, accounting, finance or other skills. *Become a landlord* if you can afford to buy properties and enjoy the idea of managing them. *Buy an existing business* if you find one in a field that you like that currently has clients. *Become a franchisee* for a company such as 7-Eleven, the UPS Store, Sonic Drive-in Restaurants or Great Clips. *Become an angel investor* if you want to help someone make a company successful and potentially receive a substantial payoff.
Source: NewRetirement.com

"Plans are only good intentions unless they immediately degenerate into hard work."
— Peter Drucker

HAMADA FINANCIAL GROUP'S
FINANCIAL NEWS
DIGEST

841 Bishop Street, Suite 1900
Honolulu, HI 96813

Ways To Save On Taxes When Reviewing Your Investment Portfolio

By Joy Taylor, Kiplinger's Personal Finance

Q: ***As the end of the year approaches, I'm reviewing my investment portfolio to find ways to save on taxes. Where do I start?***

A: First, consider getting rid of poor performers. Capital losses you incur can offset your capital gains plus up to $3,000 of other income. Any excess losses are carried forward and can help offset future gains. If you have capital loss carryforwards, cull your portfolio for gains. Your net gains, up to the amount of the loss carryover, won't be taxed.

Q: ***How do I know if I'm eligible for the 0% rate on long-term gains and qualified dividends?***

A: If taxable income other than long-term gains or dividends doesn't exceed $40,400 on single returns ($54,100 for heads of household and $80,800 for joint filers), then your qualified dividends and profits on sales of assets owned more than a year are taxed at a 0% federal rate until they push you over the threshold amounts.

Here are three scenarios to illustrate the rules. In the following examples, you have a married couple with $10,000 of qualified dividends and long-term gains, which are included in taxable income. In the first example, the couple has $65,000 of taxable income. The full $10,000 of gains and dividends is taxed at the 0% rate. Let's now assume the couple has taxable income of $88,000. In this scenario, $7,200 of the gains is taxed at 15% ($88,000 - $80,800) and $2,800 gets the favorable 0% tax rate. If the couple instead has $110,000 of taxable income, the 0% rate doesn't apply and the full $10,000 of gains and dividends is taxed at 15%.

Zero-percent-rate gains and dividends might not be taxed at the federal level, but they do hike adjusted gross income. Also, your state income tax bill may rise, as many states tax gains as ordinary income. Consult a tax advisor for your particular situation.