

Cape Ann Savings

Trust & Financial Services



John T. Brennan, Esq. CFP®
SVP, Trust & Financial Services
Cape Ann Savings Bank
Trust & Financial Services

109 Main Street • Gloucester • MA • 01930
978-283-7079
john.brennan@castrust.com • <http://www.capeannsavings.bank>

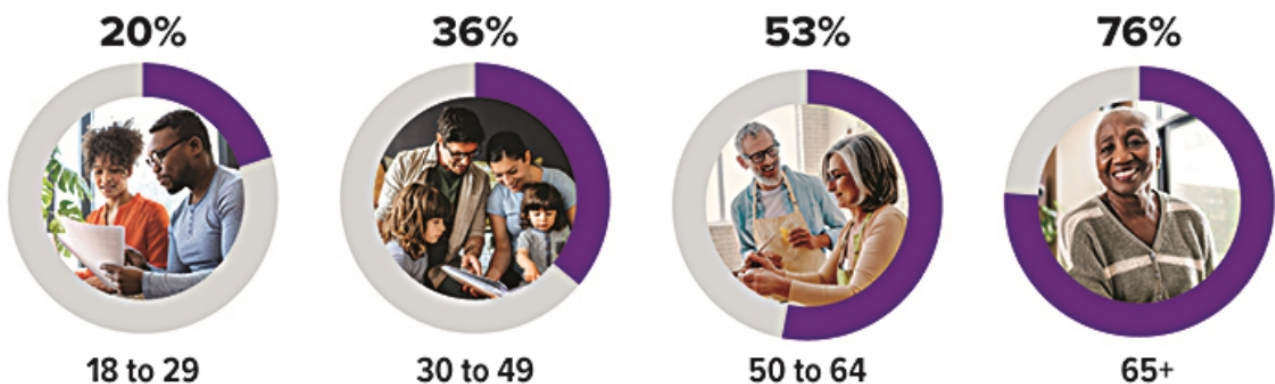


Do You Have a Will?

A 2021 Gallup poll found that only 46% of U.S. adults have a will — similar to the results of other Gallup polls over the last 30 years. It's not surprising that older people are more likely to have a will, as are people with higher incomes.

Regardless of age or income, having a will is an essential step to pass your assets to your heirs with clarity and confidence. A will enables you to distribute your property, name an executor for your estate, and appoint a guardian for minor children. Various software programs may help you create a will, but it is generally better to consult an attorney who is familiar with the laws of your state.

Percentage of Americans who have a will, by age group



Source: Gallup, 2021

Three Things to Consider Before Buying a Vacation Home

The arrival of the COVID-19 pandemic in 2020 led to a surge in demand for vacation/second homes — mainly spurred by government shutdowns and stay-at-home advisories. Whether working remotely, attending school online, or meeting up with friends and family virtually, people found themselves spending more time than ever at home.¹ If you are thinking about buying a vacation home, here are three things to consider before taking the plunge.

Tax Benefits

The tax treatment of your home will depend largely on how much time you (or a family member) use the property for personal purposes relative to the amount of time you rent it to others. If you plan to use the home for your personal use only, or rent it to others for fewer than 15 days per year, you can typically deduct property taxes, qualified residence interest, and casualty loss deductions. Rental income from a second home under these circumstances is not taxable and rental expenses are not deductible.

When you rent out your home for more than 15 days during the year, and your personal use of the home exceeds the greater of 14 days during the year or 10% of the days rented, then the property is considered a vacation home for tax purposes. You may deduct property taxes, qualified residence interest, and casualty loss deductions. However, rental expenses must be divided between personal and rental use, and deductible expenses are generally limited to the amount of income generated by the property. In addition, all rental income is reportable. Consider seeking advice from an independent tax or legal professional.

There are inherent risks associated with real estate investments and the real estate industry, each of which could have an adverse effect on the financial performance and value of a real estate investment. Some of these risks include: a deterioration in national, regional, and local economies; tenant defaults; local real estate conditions, such as an oversupply of, or a reduction in demand for, rental space; property mismanagement; changes in operating costs and expenses, including increasing insurance costs, energy prices, real estate taxes, and the costs of compliance with laws, regulations, and government policies. Real estate investments may not be appropriate for all investors.

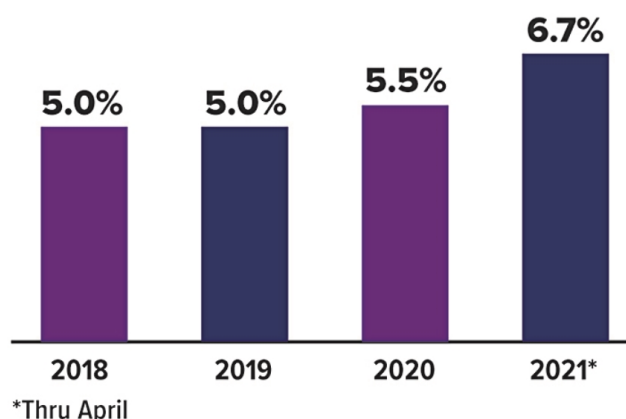
Affordability

Though there may be some financial benefits to owning your own small piece of paradise (e.g., rental income, increase in property value), you should only purchase a vacation home if you crunched the numbers and find that you can truly afford it. In addition to a mortgage, you'll have to pay property taxes and, depending on where the home is located, a

higher premium for hazard and liability insurance. The amount of money you pay for electricity, heat, sewer, water, phone, and other utilities will depend on how frequently and how many people use/occupy the vacation home. And unless your home comes furnished, initially you will need to spend money on furniture, bedding, and housewares to make sure that your home is equipped and ready for use/occupancy.

You'll also have to spend money on keeping up the home. Maintenance costs can include cleaning, yard work, pool or spa maintenance, plowing, and both major and minor repairs. If you're buying a condo or a home that is part of a homeowners association, you'll have to pay a monthly fee to cover maintenance/upkeep. Finally, if you are plan to rent out your vacation home, you may need to hire a property management company that will help you market, list, and maintain your rental property for a fee.

Share of Vacation Home Sales to Total Existing Home Sales



Source: National Association of Realtors, 2021

Investment Potential

Is the property located near a highly sought-after vacation destination? If so, it may turn out to be a good investment. Popular vacation rentals tend to increase in value over time, helping you build equity and accumulate wealth. In addition, it could generate enough rental income to help cover your mortgage and property taxes throughout the year.

If you vacation often enough, owning a vacation home could also end up saving you money in the long run. Compare the cost of your annual mortgage payments to what you normally pay for vacations during the year. You may be surprised to find that the costs are similar. Are you are planning for or nearing retirement? If so, you could buy a vacation home with the goal of eventually using it as your primary residence when you retire.

1) National Association of Realtors, 2021

Food Inflation: What's Behind It and How to Cope

As measured by the Consumer Price Index for food at home, grocery prices increased 3.4% in 2020, a faster rate than the 20-year historical average of 2.4%.¹ More recently, food inflation accelerated by 6.5% during the 12 months ending in December 2021, while prices for the category that includes meat, poultry, fish, and eggs spiked 12.5%.²

Food prices have long been prone to volatility, in part because the crops grown to feed people and livestock are vulnerable to pests and extreme weather. But in 2021, U.S. food prices were hit hard by many of the same global supply-chain woes that drove up broader inflation.

The pandemic spurred shifts in consumer demand, slowed factory production in the United States and overseas, and caused disruptions in domestic commerce and international trade that worsened as economic activity picked up steam. A shortage of metal containers and backups at busy ports and railways caused long shipping delays and drove up costs. Severe labor shortages, and the resulting wage hikes, have made it more difficult and costly to manufacture and transport many types of unfinished and finished goods.³

As long as businesses must pay more for the raw ingredients, packaging materials, labor, transportation, and fuel needed to produce, process, and distribute food products to grocery stores, some portion of these additional costs will be passed on to consumers. And any lasting strain on household budgets could prompt consumers to rethink their meal choices and shopping behavior.

Seven Ways to Master the Supermarket

The U.S. Department of Agriculture expects food inflation to moderate in 2022, but no one knows for certain how long prices might stay elevated.⁴ In the meantime, it may take more effort and some planning to control your family's grocery bills.

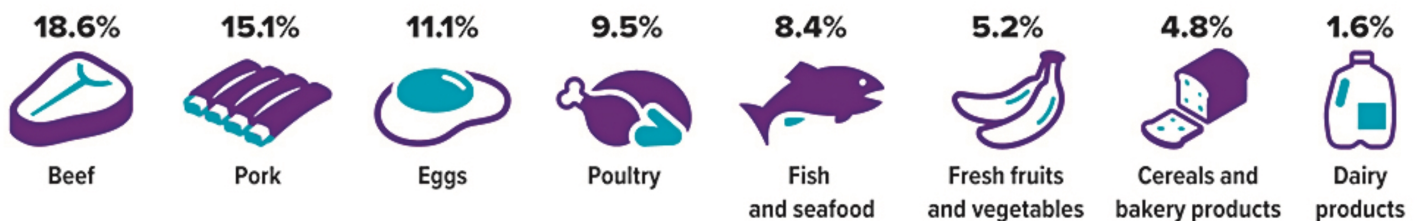
1. Set a budget for spending on groceries and do your best not to exceed it. In 2021, a typical family of four with a modest grocery budget spent about \$1,150 per month on meals and snacks prepared at home. Your spending limit could be higher or lower depending on your household income, family size, where you live, and food preferences.⁵
2. To avoid wasting food, be aware that food date labels such as "sell by," "use by," and "best before" are not based on safety, but rather on the manufacturer's guess of when the food will reach peak quality. With fresh foods like meat and dairy products, you can usually add five to seven days to the "sell by" date. The look and smell can help you determine whether food is still fresh, and freezing can extend the shelf life of many foods.
3. Grocery stores often rotate advertised specials for beef, chicken, and pork, so you may want to plan meals around sale-priced cuts and buy extra to freeze for later. With meat prices soaring, it may be a good time to experiment with "meatless" meals that substitute plant-based proteins such as beans, lentils, chickpeas, or tofu.
4. Stock up on affordable and nonperishable food such as rice, pasta, dried beans, canned goods, and frozen fruits and vegetables when they are on sale.
5. Select fresh produce in season and forgo more expensive pre-cut and pre-washed options.
6. Keep in mind that a store's private-label brands may offer similar quality at a significant discount from national brands.
7. Consider joining store loyalty programs that offer weekly promotions and personalized deals.

1, 4–5) U.S. Department of Agriculture, 2021

2) U.S. Bureau of Labor Statistics, 2022

3) Bloomberg Businessweek, September 15, 2021

Annual Change in Consumer Price Indexes for Food (through December 2021)



Source: U.S. Bureau of Labor Statistics, 2022

Why Small Businesses Should Pay Attention to Accessibility

The Americans with Disabilities Act (ADA), which passed more than 30 years ago, made it illegal to deny job opportunities to people based on their disabilities, mandated "reasonable accommodations" to make buildings accessible, and required most private businesses to offer equal service to disabled customers. About 61 million people in the United States (one in every four adults) live with a disability.¹

While government enforcement of the ADA tends to be weak, a disabled person who is negatively impacted can sue a noncompliant business. ADA lawsuits are on the rise, with some disability activists reportedly becoming serial litigants.² When an ADA claim is legitimate, the court can order that the violation be fixed and that the plaintiff's substantial legal fees be paid in full by the defendant. Some state laws allow for financial damages.

If you are notified of an alleged violation or served with a complaint, don't hesitate to consult a qualified legal professional. However, the threat of legal action is not the only reason to be aware of the accessibility requirements and guidelines that may apply to your business. Striving to better serve individuals who face immense challenges in their daily lives is simply good business practice.

Here are several facts about the Americans with Disabilities Act that may help you work toward compliance.

- **ADA requirements are complex and depend on the specific business and industry.** The law includes more than 279 pages of precise standards for accessible design — the grade of a ramp, width of a parking space, and height of a service counter, for example.³ An experienced ADA inspector (certified access specialist) can help identify compliance issues so they can be remedied.
- **Website accessibility matters, too.** Some businesses have been targeted over websites that don't accommodate the blind, who often use screen-reading technology, or the deaf, who may rely on closed captions to follow video content. Though the specific requirements for website compliance are not set by law, many organizations use Web Content Accessibility Guidelines (WCAG) as a helpful reference for improving digital accessibility.
- **There's a tax credit to help offset compliance costs.** Small businesses that earn \$1 million or less or have fewer than 30 full-time employees may qualify for a nonrefundable tax credit (max. \$5,000) for each year they spend money for the purpose of providing access to persons with disabilities. The credit is equal to 50% of eligible expenses between \$250 and \$10,000 incurred during the taxable year.

1) Centers for Disease Control and Prevention, 2020

2-3) *The New York Times*, July 21, 2021

Investments purchased through the Cape Ann Savings Bank Trust & Financial Services department are not FDIC insured, not FDIC guaranteed, not bank guaranteed and may lose principal value.