

Subject: Sept Newsletter: Tips for Gig-Economy Workers and Your Credit Score in Retirement
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Hello Jennifer:

Welcome to the Greenleaf Guide

A Newsletter for Clients of Greenleaf Financial Group

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In Review

Market Update

After a strong summer, stocks took a step backward in September. Market-watchers cite several reasons for the month's decline of about -4%, including the prospect of a contested election and the need for another round of stimulus. However, concern over a rising wave of COVID-19 cases was the primary cause of the month's setback.

Infections are rising in the U.S. and Europe causing investors to favor stay-at-home stocks (such as PayPal and eBay) and to shun economic-recovery stocks (such as Chevron).

September 2020

Spotlight On

Tips for Gig-Economy Workers and the Self-Employed

Many laid-off workers have struck out on their own as gig-economy workers or independent contractors this year. Others have used savings to launch businesses as they identify a new need in this altered economy.

It can be hard, however, for a salaried worker to shift to the uncertainties and different financial guidelines of the self-employed.

Pay Taxes First

If you are freelancing, set aside 25% of every payment you receive for taxes. This may sound like a lot, but being your own boss means paying the boss' part of Social Security and Medicare taxes, plus the employee's portion. These payments will come back to you eventually as your Social Security benefit and as affordable healthcare (Medicare) starting at age 65.

Social Security taxes are 6.2% for the employer and 6.2% for the employee or 12.4% total. Medicare is 1.45% each or 2.9% total. The rest

The year-to-date results for different segments in the stock market show this disparity. As of 9/27/2020, the S&P 500 Index is up 2.1% thanks to top holdings Amazon, Microsoft, and Apple, which represent more than 17% of the index. In contrast, the Dow Jones Industrial Average, home to Boeing, Caterpillar, and JPMorgan Chase, is down more than -3.2% for 2020.

Lastly, the Russell 2000 Index of hard-hit small-company stocks is still off by more than -12%.

As often happens during challenging stock-market periods, high-quality bonds have outperformed much of the stock market. The Fidelity U.S. Bond Index Fund (which is in most clients' portfolios) is up 7% this year as investors have turned to the steady income and capital preservation that high-quality bonds can provide.

As always, we are focused on providing you with good returns without excessive risk. Good returns are not achievable in some years, but a diversified balance of stocks and bonds increases the odds of success.

As always, we are happy to discuss your investments with you whenever you have questions or concerns.

Financial Planning Calendar: What to Do in October

Next month, we encourage clients to do the following.

Task: Put your penny jar

of the 25% that you're setting aside is for personal income taxes.

It may seem unfair to self-employed individuals that they pay twice as much as employees do for Social Security and Medicare taxes. Fret not: You get to deduct the employer portion of these taxes on your federal tax return. This deduction will lower your income taxes for the year.

How to Pay Your Taxes

Since no withholding is taking place for you, it's best to send in quarterly estimated tax payments, rather than paying the full amount when you file your annual tax return. Doing so will help you avoid penalties for late payments. The [IRS website](#) takes electronic payments, as do state websites. Annual due dates for the four payments are typically April 15, June 15, September 15, and January 15.

Save for Retirement

Although not knowing when your next payment will arrive is difficult, putting another 10% of each receipt toward retirement savings will keep you on track for long-term financial security goals. As your income increases, so should your savings percentage.

Paying and Tracking Expenses

If you haven't done so already, set up a business checking account that you use for all deductible expenses. Make it a habit to record all expenses and mileage immediately. [Hudlr](#) is a popular tool for expense tracking and determining quarterly tax payment amounts.

Question of the Month



or coin stash to work.

Why: U.S. retailers are experiencing a coin shortage.

Americans reduced their cash purchases sharply this year, which far fewer coins in circulation. This, in turn, has resulted in a coin shortage, as evidenced by the "exact change only" signs in many stores.

The U.S. Mint recently asked Americans to put their spare change back into circulation. Now is a great time, therefore, to make use of that weighty coin jar on your dresser.

Banks that previously grumbled if you dumped several dollars worth of coins in their drive-through container are now happy to accept your change as a deposit.

Coinstar kiosks -- found in many large grocery stores and Walmarts -- will exchange your coins for cash after an 11.9% service fee. You can avoid the fee by opting instead for an e-gift card. Participating retailers include Amazon, Lowe's, Home Depot, Red Robin and Starbucks, among others.

Through November 30th, if you have \$30 worth of coins, Coinstar will give you an extra



Question

I retired five years ago and my borrowing days are over. Does my credit score matter at this stage in my life?

Answer

Even if there are no car loans or mortgages in your future, yes, your credit score still matters and you should still strive to keep your score as high as possible.

One good reason to keep your score healthy is that auto insurance providers often draw on parts of your credit report to determine your rate. A poor score may lead to higher premiums. (Though laws prohibit this in California, Hawaii, and Massachusetts.)

If you want to move into a retirement community or eldercare facility, the application process often involves a credit report check. This is particularly true for CCRCs -- continuing care retirement communities (i.e., long-term care facilities) -- which want to be sure you will be able to pay the monthly charges.

You may need a higher credit limit on a credit card for a large expense or want to apply for a part-time job. In these instances, too, your credit score will be reviewed.

To keep your credit score at its best, be sure to

\$5 on an Amazon gift card.

Another great Coinstar option is to make a charitable donation with your coins.

While not all Coinstar machines have this option, most will send your coin value to the American Red Cross, Humane Society of the United States, or World Wildlife Fund, or a few other choices. Find a donation-abled machine near you at www.coinstar.com.

do the following:

- *Make utility, credit card, and other bill payments on time.*
- *Keep credit balances low.*
- *Watch diligently for fraudulent activity.*

Finally, keep your credit accounts -- namely your credit cards -- open and active. Make an occasional purchase, especially on longstanding accounts. If you close them all or don't use any of them, then you'll have no credit data and a lapse in credit activity might hurt your score.

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