

AHWATUKEE FOOTHILLS NEWS

Strategies for Combating the Impact of Inflation



November 2, 2022 by Dr. Harold Wong

In 2022, the US inflation rate hit the highest since 1981. According to U.S. Labor Department data published on 10/13/2022, the annual inflation rate was 8.2% for the 12 months ending in September, 2022, after rising 8.3% the previous month. Some reports indicate that 60-70% of American families are living paycheck to paycheck. Many surveys show that inflation and the economy are the most important issue to voters before the November 8, 2022 midterm elections. So, what are potential strategies that you can use to fight how inflation affects your family?

Buy a used car instead of leasing a new car! For most car models, there is tremendous depreciation in value during the first five years. People have no idea how much a new car costs. The inflation of the last two years has raised the price of both new and used cars to record levels. According to new data from Edmunds, for new vehicles the average auto loan is 70.4 months and the monthly payments exceed \$700/month.

Example: in 2006, I bought a used, 8-year-old 1998 Lexus ES 300 vehicle. I paid \$8,500 which was ¼ of what the original owner paid for the car when new. It had 85,000 miles on it and I now have over 272,000 miles. Yes, I've had to do normal maintenance and, original parts of the car such as the front end and all shock absorbers have had to be replaced. The cost of insurance and annual AZ vehicle registration is way less than half of

what it would be for a new car. Suppose I had an average \$500/month car lease payment and continued to lease a new car every 5 years. The total payments over the last 16 years would have been \$96,000. This is the 3rd car I've owned that has gone over 200,000 miles.

Reduce Your Housing Expense by renting out part of your house via Airbnb, Vrbo, or a normal lease! I have one client, a nurse practitioner, who rents out part of her house for \$1,500/month on a one-year lease. Another client, a psychologist who works with veterans, spent \$100,000 to build a casita by the pool at his house. He expects to receive \$30,000+/year of annual rent. Note: please check with your city and HOA first to find out if there are any restrictions on short-term rentals.

Reduce Your Income Tax through green energy equipment strategies! Especially with the new Inflation Reduction Act, which has allocated at least \$370 billion of grants and loans for green energy technology, there are opportunities. In one solar equipment leasing strategy, the client saves half of his investment amount in taxes. There is nothing more powerful in the tax code than a 30% solar tax credit and the ability to deduct 85% of the cost of equipment through either Section 179 or 100% "bonus" depreciation. For many upper-middle-income families, income taxes are the single biggest expense item, even exceeding housing costs.

Increase the income from your investments! The average dividend yield from S&P 500 companies from January 1, 2000 through December 31, 2021, has averaged 2.02%. One has the risk of having to own the stock in order to receive the dividend. Until the spike in interest rates during the past year, 2% was what one received from buying a 10-year or 30-year US Treasury Bond. There are equipment leasing, real estate investment, and private pension strategies that can generate a 7-10% annual yield, with less risk than the stock market. However, because few have invested in assets other than Wall Street stocks, bonds, and mutual funds, there is a time period required to get educated and feel comfortable. Always research any investment carefully.

Free Information on Retirement Planning, Solar Business Investments, and Tax Savings can be found at www.drharoldwong.com or www.solarbusinessinvestments.com.

To schedule your Free Consultation Contact Dr. Harold Wong at (480) 706-0177 or harold_wong@hotmail.com to RSVP.

Dr. Harold Wong earned his Ph.D. in Economics at the University of California/Berkeley and has appeared on over 400 TV/Radio programs.