

TD TOP DOLLAR[®]

Helping You Make the Most of Your Money.

7.2021

Note: Due to production lead time, this issue may not reflect the current COVID-19 situation in some or all regions of the U.S. For the most up-to-date information visit [coronavirus.gov](https://www.coronavirus.gov).



Winning a free vacation sounds too good to be true, and as with anything that is sold as free, there are costs to consider. With trip giveaways, it is imperative to read the fine print and ask questions.

Possible costs you may have to pay include:

- ❖ Meals and drinks.
- ❖ Tips for housekeeping, drivers or tour guides.
- ❖ Sightseeing expenses such as entrance fees or tours.
- ❖ Taxes.
- ❖ Transportation to and from the hotel or airport.
- ❖ Transportation around the area you are visiting.
- ❖ Trip insurance.

Other things to consider:

Can you bring your spouse or a friend with you? If the hosting party allows for a plus one, what expenses do you have to cover for the additional person?

Understand the timing of the trip. Is a time range available for you to decide when to travel? Are trip dates flexible? Can you travel within the required time allowance? Do you have to pay extra to change dates?

The IRS requires winners to pay taxes on the prize value. The amount or the taxable prize value is determined after you take the trip. If the trip has amenities you don't want, you can decline them to lower the taxable value.

Q: How to use digital wallets?

A: Digital wallets are electronic accounts that allow users to make transactions, store funds, and track payment activity through apps on smart devices. The ease, safety and convenience of digital wallets should not override healthy financial habits. It is still essential to stay within your budget. A nice feature of digital wallets is that if the card you link to your wallet is also linked to a budgeting app, transactions will automatically post to the budgeting app, making spending easier to track.



Choose your default card carefully. Select the card with the lowest interest rate if you must carry a balance. If you pay off your balances in full each month, opt for a default card that offers the highest rewards.

In addition to not carrying a physical wallet, there are other benefits to using a digital wallet. While there are no absolute guarantees, digital wallets are incredibly safe. If someone steals your actual wallet, your cash, ID and cards are gone. But digital wallets are encrypted, making your information secure and less likely to be hacked.

Typically, payments from digital wallets don't use account numbers; instead, a token only valid for the intended merchant is used when you buy something. This adds another layer of protection: If the merchant experiences a cyberattack, your financial information won't be compromised.

TOP DOLLAR DICTIONARY: Mutual Funds

A mutual fund is an investment company that pools funds by selling shares to investors and then makes diversified investments. A person diversifies their portfolio when they intentionally purchase securities with different types of securities that hold levels of risk. The process spreads risk among many types of securities and therefore lowers the overall risk of the portfolio. One of the main advantages of mutual funds is that they give small investors access to professionally managed, diversified portfolios of stocks, bonds and other securities. Each investor shares proportionally in the fund's gains or losses. Some mutual funds pay dividends, and investors can choose to receive dividends by check or reinvest them. If owners reinvest the dividends, they pay taxes each year on the earnings. Taxes paid increase the fund's basis, so when the fund is sold, the tax bill is less.



TOP DOLLAR TIP: INVESTMENT ALTERNATIVES

An alternative investment is any asset class excluding stocks, bonds and cash. Examples are **hedge funds***, **commodities****, **collectibles*****, real estate and private debt. If you want to diversify your investment portfolio with an unconventional asset, alternative investments may be a good option. Returns can fluctuate significantly over a short period of time, making it imperative to understand the risks associated with alternative investments.

***Hedge funds** are risky investment pools for the extremely wealthy. Investors are known as partners and must qualify as accredited investors and purchasers by having income higher than \$200,000 and a net worth of more than \$1 million as well as owning more than \$5 million in investments.

****Commodities** are raw materials or primary agricultural products that can be bought and sold. Examples are coffee, corn, wheat, precious metals, livestock animals and cotton.

*****Collectibles** are cultural artifacts that have value because of their beauty, age, scarcity or popularity. Examples include antiques, stamps, rare coins, art, comic books and wine.



Teach Your Teen Money Smarts

For children, the teenage years are the perfect time to learn about budgeting and living within their means. Education leads to empowerment and confidence. In a few short years, your teen will be working and/or at school and will make financial decisions on their own. Below are ideas to get them started on a financially healthy life:



- ✓ Establish a set allowance amount.
- ✓ Determine if your teen will have to work to earn the allowance and set parameters for chores.
- ✓ Give the allowance on the same day of every week.
- ✓ Use the allowance to teach money management, not to punish or reward.
- ✓ Determine if they have to save a portion each week.
- ✓ Discuss past spending mistakes and what you learned from them.
- ✓ Determine expenses that the teen has to pay (e.g., gas, clothing, makeup, entertainment).
- ✓ Open a checking account to teach about daily spending and budgeting.
- ✓ Open a savings account for future goals and expenses. Teach how to use online services.
- ✓ Explain to your teen how credit works and what credit scores are. Explain how to read a credit card statement, and explain terms such as minimum payment, interest rates and total balance. This is also a great time to talk about paying more than the minimum payment or paying balances in full each month.

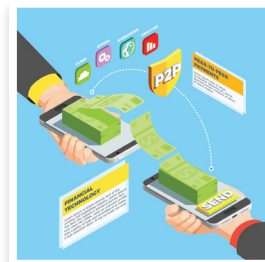
Note: If your teen has a job, it's even more important for them to learn money management now, especially if they're saving for college or a big expense such as a car.

Crash Course: Peer-to-Peer Payments

Peer-to-peer payments (P2P) let you transfer money by using an online or a mobile app. Peer-to-peer payment accounts are simple to set up. You create an account, select a username and password or pin, and link your bank account, debit card or credit card to the platform. To send or receive a payment, you share your username, email or phone number with whomever you want to pay or receive money from.

Making or receiving payments is quick and convenient; you don't need to carry cash or have exact change. Most P2P payment services are free, although some charge a low fee. Most allow users to hold money in their account with the system or transfer money to a bank account. Transfers to bank accounts can take one to three days to complete.

Before selecting a P2P payment service, check the type of fraud monitoring the system uses and research its customer support network's quality. Also, before sending money, make sure you've selected the right person or account.



The Smart Moves Toolkit, including this issue's printable download, **Sunscreen: The Real Cover-Up**, is at personalbest.com/extras/21V7tools.