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4th QUARTER 2024

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Don't miss our blog
www.street-cents.com

Why are insurance rates going up so much?

Most notably homeowners, auto; how to offset these costs

John A. Kvale, CFA, CFP ®

One of the most talked about items of especially the last quarter but going back to at least the beginning of the year, if not longer, is this sudden increase and insurance costs, most notably homeowners and automobile.

The reason for the sudden increase in costs are multiple fold but predominantly a function of the increased

(see **If the**, Page 2)

Building good credit and keeping it good

Early investors special tips

With more and more personal information being gathered for extra personal risk measures, our credit reports are becoming an even greater part of our financial identity, including cost analysis in certain aspects for less than good credit.

Items such as automobile and homeowners insurance (see Insurance Cost article above), rent approvals as well as in many

(see **Liability**, Page 4)

Approaching last quarter of 2024

Time to check run rate of contributions to retirement plans

(From street-cents.com on Sept.16, 2024)

We send this reminder near the end of each year in recent past... Last year we sent this early November... WAY too late in our opinion as we struggled to complete adjustments for some. So this year we get the worm (Early bird thing) AND this also is making its' way into the Q 4 2024 newsletter!

So here is your official reminder, please reach out with any ques-

(see **If intent,** Page 6)

Why are insurance rates going up so much?

If the value of something goes up, it costs more to insure

(continued from Page 1)

values that have occurred over the past few years in both home and auto asset prices.

It makes total sense, if the value of something goes up it costs more to insure it. What is unusual is the second asset mentioned here, automobiles. Autos usually do not go up in value. Given the weird dynamics of the past few years, automobile prices actually did go up and given the lag effect of insurance carriers catching up with those costs and a somewhat hurried catchup given the cover of inflation, we are suddenly experiencing increased costs of rather large magnitude.

Of course there are other factors such as weather, specifically dealing with homeowner's prices. Here in Texas we have experienced that dramatically over the past several years and as a reminder, even if the occurrence such as a hurricane, flood or other happened in another part of the state, most carriers have a broad enough net for their diversification, your neighbors in other parts of the state may be subsidized by your premiums, just as they would have been if it were the other way around.

What follows are two very broad graphs that exemplify the increase in these two asset prices.

The insurance carriers are playing catch up at the expense of our pocketbook. What can we do? It's not all bad news here. **We do have some options!**

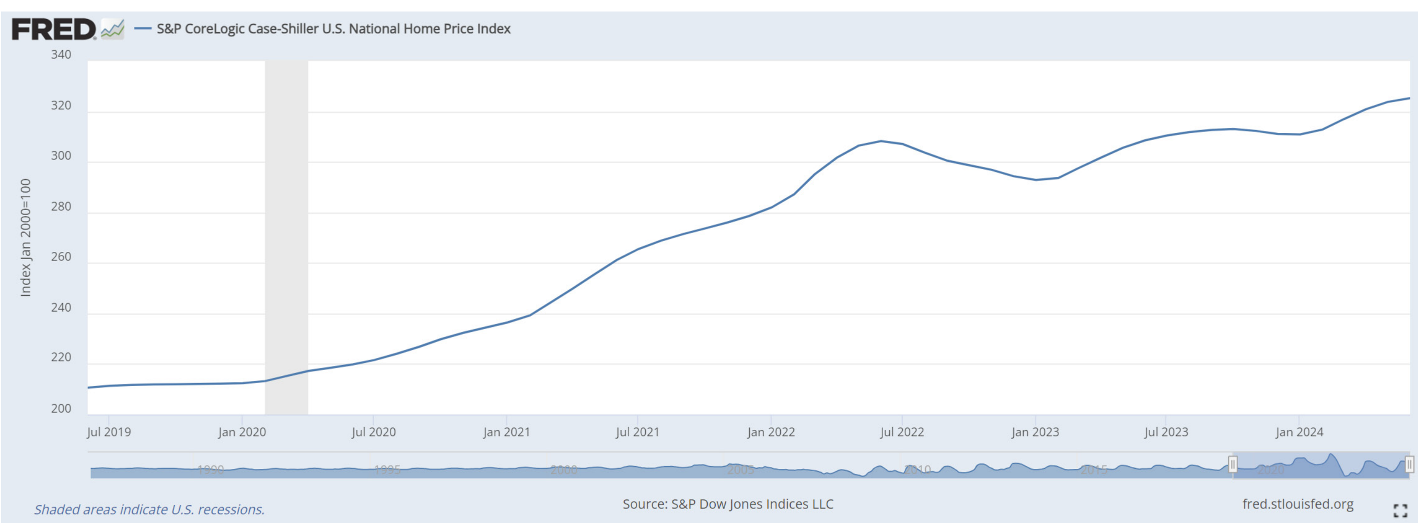
Check your deductibles. The higher your deductible the more you are self-insuring in both cases.

This is not a carte blanche to go increase your deductibles as it is very much a case by case situation both geographically and by insurance carrier, and of course there are many outside factors as mentioned before but in many cases it may be worth increasing your deductible to offset the increase in premium that you may be experiencing.

The one caveat, as always we have to make sure we have a good emergency fund as that emergency fund provides the bucket for that extra self-insurance.

Another item (also in this newsletter) is keeping our credit good. Insurance carriers wisely and correctly are gathering our

(see Double, Page 3)



S&P Dow Jones Indices LLC, S&P CoreLogic Case-Shiller U.S. National Home Price Index [CSUSHPINSA], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/CSUSHPINSA, September 12, 2024.

Why are insurance rates going up so much?

Double check values of replacement costs for home, auto

(continued from Page 2)
credit information as a risk assessment, and if for some reason our credit falls off, that is very likely reflected in our insurance premiums.

Pro tip here: Double check the values of your replacement asset costs, most importantly with your home but also your automobile.

If you are grossly underinsured, you may want to have a discussion with your carrier about increasing that replacement cost. While this will increase your premium, we have this insurance for a reason and want to make sure it does what we want it to do.

Home prices over the last five years

While a national average, this is a 55% increase in just a five year period on Average Home Prices (see graph, Page 2), ample reason for insurance carriers to increase the rates!

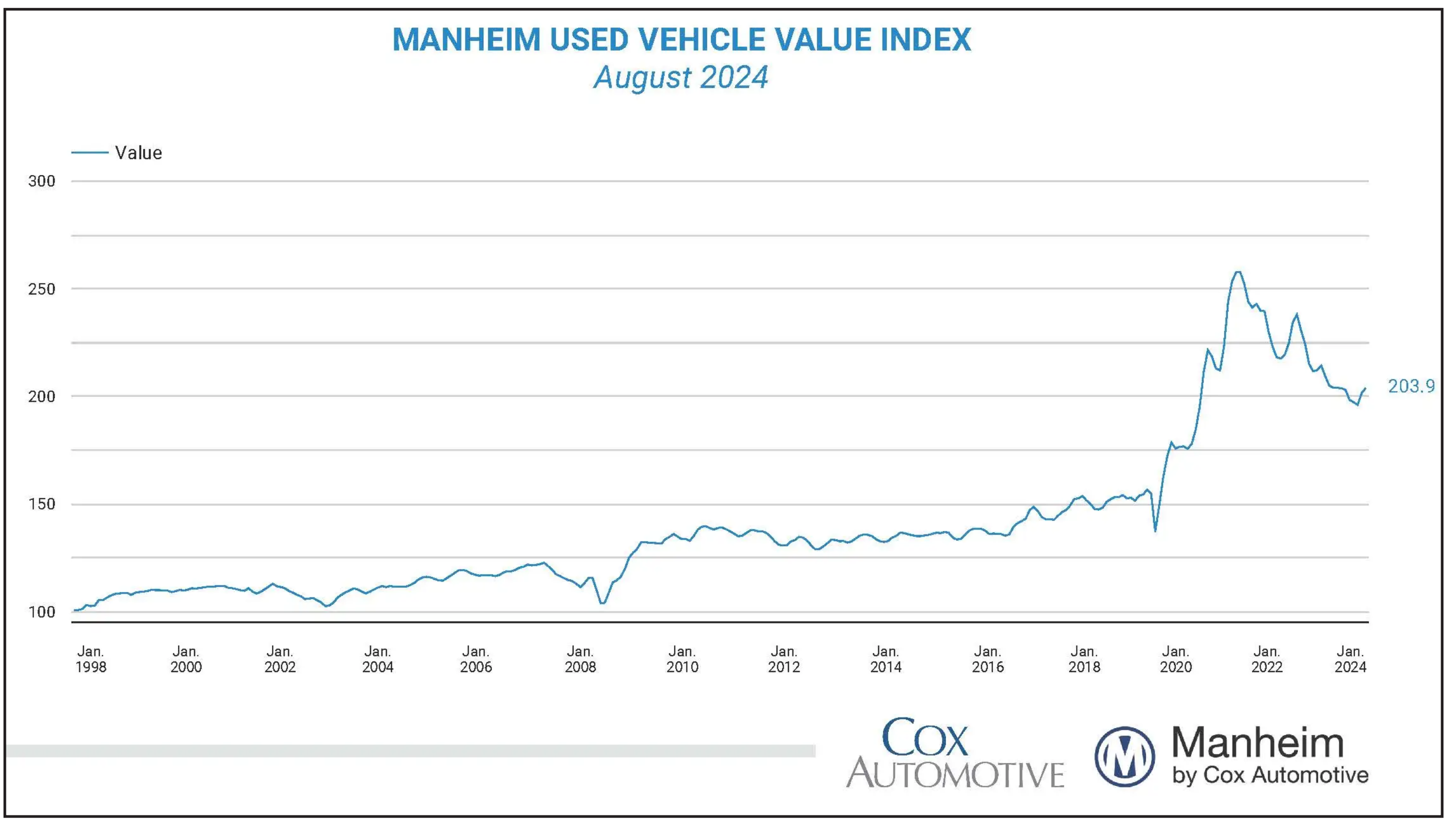
Auto prices a long term view
Note very unusual spike, catch up time

Note the much higher than historical inflationary surge in prices of 2020 – 2022 (see graph below).

While on the downtrend now, insurance carriers work on a lag in order to protect themselves and are playing catch up in premium increases.

So in closing, if you have not already experienced a dramatic increase in one or both of these items, count yourself lucky. However, be prepared as it may occur at any time, a dramatic increase that is!

To fight off the possible increase, check your deductible and ask your carrier what an increase in your deductible would do to your premium.



Building good credit and keeping it good

Liability such as loan in order to build credit

(continued from Page 1)

cases being declined for any or all of the above with a bad credit score hanging on your financial background.

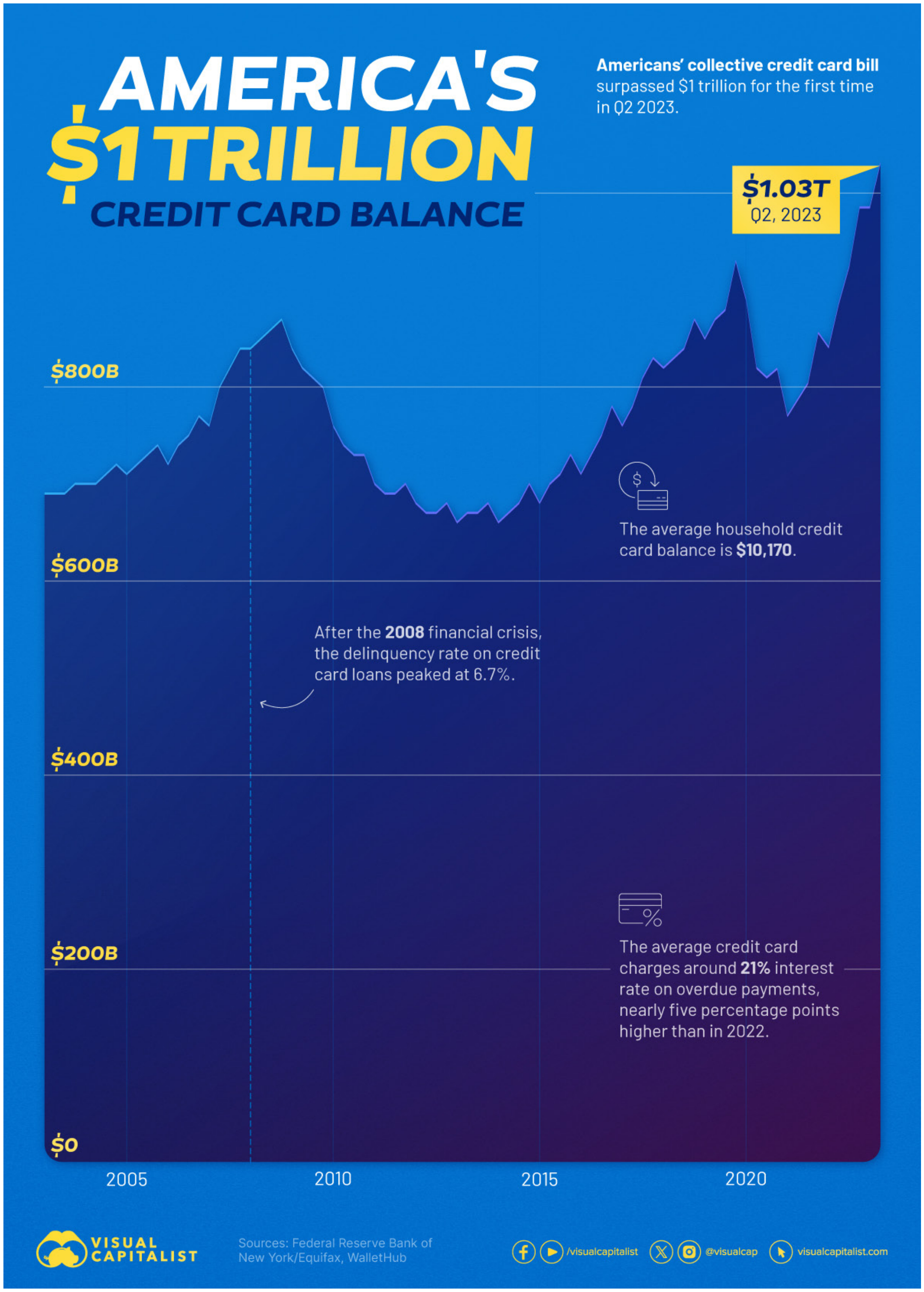
As seen by this Visual Capitalist data graphic (at right), credit card balances have steadily risen and are now enormous.

Please do not take any of the following information as a reason to run up a monthly credit card bill or not pay it off at the end of the month.

Remember the emergency fund will most likely always help cover any of life's curveballs and that without the emergency fund, it may end up on a credit card or some other form of debt.

How do we build credit?

As financial planners, we begrudgingly must admit in order to build credit we are going to need to have a liability in the form of a loan.



The most popular is a credit card followed by a student loan and then an automobile loan or a home mortgage. Any or all of the above will help build our credit.

While it is not exactly clear -- the credit rating agencies still keep some of the cards close to their vest -- it appears that items such as credit cards and automobile loans have the most dramatic effect both positively and negatively on our credit reports.

In order to build good credit, use nominal

(see **Importance**, Page 5)

Building good credit and keeping it good

Importance of payments, some line of credit

(continued from Page 4)

amounts of loans as it relates to our income and absolutely no late payments.

Continued on-time payments for an extended period of time will help build up our credit. Late payments or no payments for any reason will greatly hurt our credit report much faster than building our credit report up!

As seen by the following graphic (below), student loan debt has increased dramatically much faster than the inflation rate especially over the most recent years.

While not big fans of debt, student loan debt is debatably one of the best type of debts that someone can have for improving their future and also with current payment increasing their credit reports.

According to the agencies, student loan debts will not increase our ratings as fast as other shorter term debts but will still hurt if we are late on a payment, so be sure to never be late on a payment.

Pro tip: It is possible to have a tremendous amount of money and have no lines of credit or no visibility to the credit agencies and have bad credit because they just don't know who we are.

How do we keep good credit?

Paying that credit on time and not having balances will give us good credit but it is important to have that line of credit even if it's not used still in your name.

Said another way, if we were once in a situation where we had many various credit cards and we began canceling those, each cancellation could possibly hurt our credit because we're losing the reference of our credit.

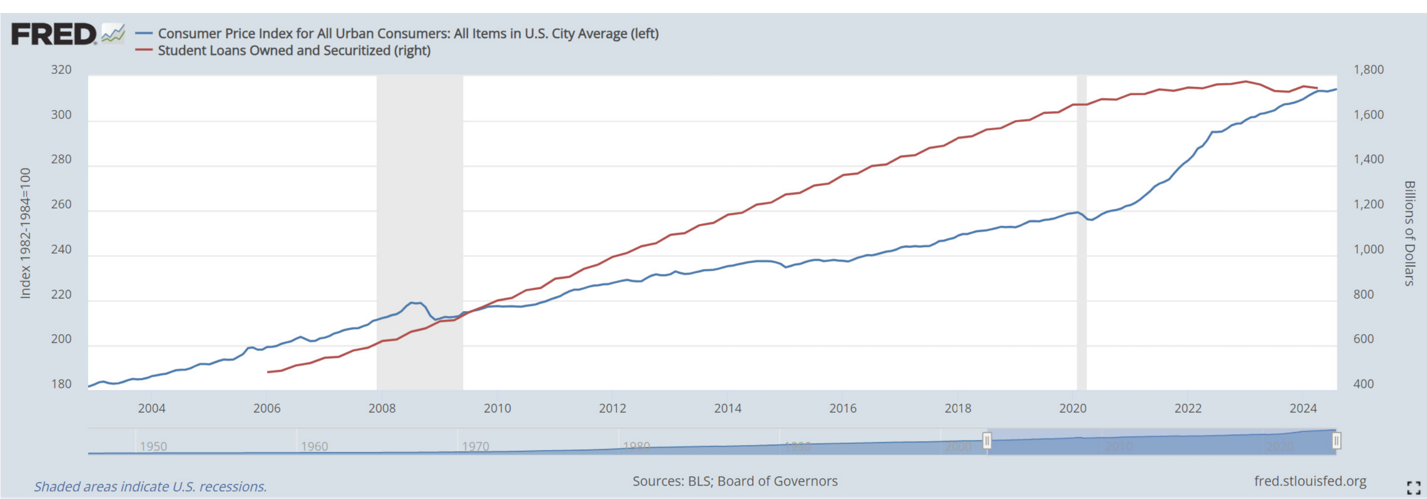
Similar to the pro tip, the credit agencies need something to measure us by so canceling that old unused card may actually hurt our credit.

On another note, having too many lines of credit can hurt our credit rating as well as the agencies look at us as a higher risk if we were to run all of those lines of credit up.

Keep it reasonable, do not have unnecessary lines of credit and keep the ones that you have used in the past that have good records.

With a good emergency fund intact, careful use of lines of credit and dedicated payment will over time increase our credit report. Keeping those records of our good behavior will also allow us to maintain that credit.

We hope that this gives you some insights on how to build and maintain your credit report.



Approaching last quarter of 2024

If intent is to max out 401(k) or other plan, make sure you're on track to goal

***If changed employers, keep up with maximum amount of contribu-tions.**

***New plans should be aggressive to take ad-vantage of contribu-tions.**

(continued from Page 1)

tions or needed calculation help, that is what we are here for!

Great time to review your contribution levels

Now is a good time for all of us to review our retirement contribution levels. If our intent is to max out your 401(k) or other retirement plan, take a peek and see if you're on track to achieve this goal.

If you have any questions certainly shoot us your latest paycheck and we can do the calcu-lations but here are roughly where we should be on our contributions to the regular and catchup 401(k) levels.

The maximum for 401(k) and most other retirement plans is $23,500 this year with a $7,500 catch up kicker for those age 50 and older this year.

Ideally your year to date (YTD) contribution levels for your 401(k) regular withholding by yourself should be about $17-$18,000 in order to meet the $23,000 regular filing maximum by the end of the year and if our goal is to achieve the $31,000 catchup for those 50 and older we should be at least at the $23 - $24,000 level today.

Both of these should be our individual YTD withholding amounts. We know there are matching and employer contributions but the rules are set for us as an individual.

Catch ups are the usual problems so make sure if you are 50 or turning 50 this year, your employer knows you want to do a catch up contribution.

Two quick reminders...

If you have changed employers, it is our job to keep up with the maxi-mum amounts as mentioned here be-cause our new employer will not know our prior contributions.

New plans should be wide open aggressive to take advantage of the contributions making up the corpus of the new account.

There are variances in certain situa-tions but the above covers the great majority of plans.

Reach out if you are in the middle for some reason.

This is your friendly reminder.

JK

An annual reminder

Why you need to know credit score, where to get annual free credit report

Knowing your credit score and your credit report has become increasingly important. With updates in technology and increases of consumer related fraud, we all need to keep an eye on our credit and our credit score for protection.

Why do I need to know or protect my score?

While you may not owe anyone, anything i.e. have a loan with anyone - well done, by the way - a bad credit score can still affect items such as your automobile and your homeowner's premiums. No kidding.

We cannot blame them. There is data to check and it is their responsibility and ability to review it.

Bottom line, a bad credit score or report may be costing you more money.

How do I get a copy of my credit report?

After you get your score, you may want to get a detailed copy of your credit report.

Go to www.annualcreditreport.com, which is a free service offered for your own protection by the three agencies.

There are tons of sites out there that are not free and try to seduce you into paying an unnecessary monthly fee. This site has been checked and is safe BUT BEWARE UPSALE ATTEMPTS WILL OCCUR!

You may request all three services or just use one and keep the other two available at a later time. This may be handy as you only get one free report per agency per year.

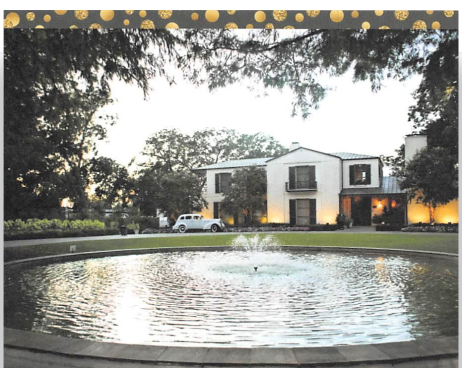
If you stagger the reports you can inquire at different times, keeping later dates open for inquiry.

If your report is good, there is likely no reason to get more than one agency report. If your report has deficiencies you may protest from the site as it is reported.

Taking time to review your credit and credit score is easy and may save you angst and money.

JK

J.K. Financial, Inc.
Holiday Party - Dallas
Nov. 23
Save the date!



Please Join Us!
J.K. FINANCIAL INC.'s - 28TH ANNUAL HOLIDAY PARTY

Party from 1-3pm Enjoy the Park until 5pm!

The Alex Camp House at:

THE DALLAS ARBORETUM

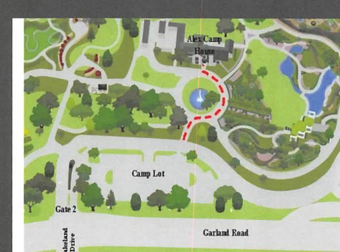
23 NOVEMBER 1-3 PM
8617 Garland Road
Dallas, TX 75218

Please RSVP to Jen by Nov. 15th :
Jen@Jkfinancialinc.com or 214-706-4300

Directions:

If coming from the West (I-30, Downtown, Grand, Gaston): Stay on Garland Road and pass the Main Gate entrance at Whittier Road, and continue down until you reach Gate 2: Camp Gate located at Lakeland and turn left into the lot. Let the gate attendant know you are here for the J.K. Financial Holiday Party to be allowed into the gate.

If coming from the East (Garland, Plano): Stay on Garland Road and pass the Gate 3: Children's Garden entrance to continue on to Gate 2: Camp Gate located at Garland and Lakeland and turn right into the lot. Let the gate attendant know you are here for the J.K. Financial Holiday Party to be allowed into the gate.



Walking Directions to Alex Camp House from Gate 2

After entering Gate 2 and parking in the Camp Lot, enter the garden through the crosswalk located in front of the fountain. You will then walk around the fountain until reaching Alex Camp House.

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The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investments may be appropriate for you, consult your financial advisor prior to investing.

Parting thoughts for you...

In a unique transfer of lead articles due to continued questions this newsletter features calls and cures of some of the greatly increased insurance rates, particularly on homeowners and auto that everyone is experiencing. Feathering in nicely with this article are several broad data points that hopefully will give some explanation and a reminder of several ways to help offset these increases but most certainly not a direct cure for all increases.

Being smack dab in the middle of the once every four year political season, the historical facts of this once every four year time frame lead to a basic conclusion. The basic conclusion - while many will be elated and some disappointed - is the growth of the economy is the main driver of the capital market.

Lastly, information pulled from our blog at streetcents.com due to popularity and believing that repetition is great, we've reposted as we enter the final quarter of the year.

Enjoy the season as it changes from warmer to cooler on this side of the hemisphere and from hotter to cooler, we hope to see you at the holiday party noted also in the newsletter. Thank you for your time.

Dates:

Nov. 3 - Daylight savings time ends

Nov. 23 - J.K. Financial, Inc. Holiday Party - Dallas Arboretum, 1-3 p.m. Save the date!

Nov. 28 - Thanksgiving holiday, U.S. capital markets closed

Dec. 25 - U.S. capital markets closed