

Subject: Greenleaf Newsletter: Energy-Efficiency Tax Credits, Inexpensive Roadside Assistance, and the Summer Stock-Market Rally Takes a Pause

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From: Greenleaf Financial Group

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*Hello Greenleaf,
Welcome to Our Client Newsletter*

In the August Issue:

- **Current and Future Tax Credits for Energy-Efficient Home Improvements**
- **Question: My daughter is driving to college out of state. Where can I get reliable and affordable roadside assistance for her?**
- **Market News: The Summer Stock-Market Rally Takes a Pause**

Tax Credits for Energy Efficient Home Improvements.

The recently enacted Inflation Reduction Act includes a variety of tax credits to help homeowners increase their energy efficiency. Tax credits -- unlike tax deductions -- do not require the tax filer to itemize. However, anyone wishing to take advantage of these credits must be aware of specific qualifying requirements.

Solar energy and electric vehicles are major components,

Question:

My daughter is driving to college this year, a distance of about 400 miles. I'd like to make sure she can get help with a flat tire or a dead battery or other auto problem.

What is a reliable and affordable roadside assistance service?

Answer: Although most people would look no

Market News:

The Summer Stock-Market Rally Takes a Pause

Stocks rallied strongly for much of the summer with the S&P 500 Index now up 11% since mid-June.

Before Friday's stock-market decline -- caused by Federal Reserve Chairman Jerome Powell's statement that their inflation-fighting efforts will resolutely continue --

but homeowners have additional opportunities to save by installing energy-efficient windows, doors, water heaters, furnaces, air conditioners, insulation, and roofing.

For tax-planning purposes, it's important to know that the tax credit for 2022 is different than the tax credits for 2023 through 2032.

2022 Tax Credit for Energy-Efficient Improvements

For 2022 *only*, the maximum tax credit is 10% of the costs of **home energy-efficiency improvements** up to a \$500 limit.

If you've already used the maximum \$500 credit, you can not take it again since it is a lifetime \$500 limit. If you did not use the full amount, however, you can use the remaining amount in 2022.

This credit had expired in 2021, but it has been reinstated for one year.

Tax Credit for Clean Energy Installations

A separate credit for installing residential **clean energy systems**, including solar, wind, and geothermal, has been raised from 26% to 30% for 2022 through 2032. Battery storage charged with your system is included.

2023 Through 2032 Tax Credits for Energy-Efficient Improvements

further than AAA -- The American Automobile Association -- first try your auto insurance company.

Many insurers offer optional roadside assistance coverage for a modest annual cost. Coverage typically includes jumpstarts, flat tire changes, lockout assistance, fuel delivery, and towing for a reasonable distance, generally 10 to 15 miles.

When you need assistance, simply call your toll-free insurance number.

Each car that you own will need its own roadside assistance coverage, but the coverage is valid throughout the U.S.

Of course, a AAA membership can also be used for discounts on car rentals, vacation packages, and other goods and services. If you regularly use AAA discounts, then the higher cost of a AAA membership may pay for itself.

For your daughter's auto needs, however, adding roadside coverage to her auto insurance is both affordable and effective.

the S&P 500 Index had retraced about half of the decline it experienced during the difficult first half of 2022.

However, Friday's reaction to the Fed Chair's short speech reduced the S&P 500's summer rise from 15% to 11%. Technology stocks that were rebounding the most experienced the worst falls after Powell said they will keep raising rates until inflation reaches normal levels.

Most market-watchers expect the Federal Reserve to raise its benchmark rate by three-quarters of a percentage point at its September 20th and 21st policy meeting. If so, this increase will put the fed-funds rate at 3.25%. This modest level reminds us that normalizing two decades of extraordinarily low interest rates is not a task that can be solved quickly.

Going forward, challenges remain for investors. The protracted battle for Ukraine's independence could push up energy prices again as winter nears. In addition, oil prices have fallen in part due to China's economic slowdown, but an interest rate cut in China could send prices up again.

Beginning January 1, 2023 and lasting for 10 years, the tax credit changes from a lifetime \$500 maximum to a \$1,200 credit *each year* that you qualify. This annual credit is equal to 30% of the costs of all eligible home improvements made during the year. It has also been expanded to include some new categories, including home energy audits and biomass stoves and boilers.

Consequently, you may wish to spread out your energy-efficiency upgrades. Perhaps you add insulation one year and replace windows in years two and three.

**Additional Opportunities:
Electric Home Rebate
Program**

A third program, known as the **High-Efficiency Electric Home Rebate Program**, begins in 2023.

This new program provides upfront rebates such as the following:

- Up to \$8,000 to install heat pumps for heating and cooling.
- Up to \$1,750 for heat pump water heaters.
- Up to \$840 for a heat-pump clothes dryer or electric stove.
- Up to \$4,000 for electrical panel upgrades to support new electrical appliances.
- Up to \$2,500 for wiring improvements.
- Up to \$1,600 for insulation and sealing.

Rebates are different from credits in that they aren't part of your tax return. The details are still being worked out, but homeowners will be able to collect a maximum of \$14,000 in total rebates as long as your income doesn't exceed 150% of

We advise clients to look further out than the next few months. Historically, September has been a poor month under a variety of economic conditions. In fact, the S&P 500 Index has averaged a -1% loss in September dating back to 1928. Results for the Dow Jones Industrial Average are similar going back to 1896. Last year, in the middle of a roaring stock market, stocks fell -4.8% in September.

There is no good explanation for *this anomaly*, but it is a good example of the unpredictable nature of investing, as well as the two-steps-forward, one-step-backward pattern of investment returns.

Although inflation is one of the biggest economic concerns, there will be economic challenges in every time period. Remember that, as an investor, you are participating in the workings of capitalism.

While share price rises may take a pause, there are still stock dividends that are paid to shareholders, as well as bond interest payments. Both components contribute meaningfully to investors' long-term returns, but you have to own stocks and bonds to receive these payments.

your area's median income. You can look up your area's median income [here](#).

Save Your Receipts

We will share more details in the future and we are happy to help you with the tax details of your projects.

For now, if you make any energy-efficiency home improvements before the end of 2022, be sure to provide your tax preparer with cost information to use with your 2022 tax return.

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