

0 (0s):

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1 (40s):

It's my pleasure to welcome you here. The Clark Howard show and our mission to serve and empower you. So you make better financial decisions in your life. In today's episode, I actually have some good news about the economy. Also have an important warning for you about a booming type of fraud. So last year, a couple of times I talked about the layoffs that were occurring in state and local government and the cutbacks and service because of declining tax revenues in the state and local government accounts for about 20 million jobs and the United States by comparison federal government employees, about 2 million people.

1 (1m 28s):

Most employment with government is at the state level or a city or County level. And so in the initial months of the pandemic, it looked like services were going to be drastically cut. And that the number of employees would be greatly reduced. A lot of States were talking about doing unpaid furloughs, where people might be re required to take off five to 10 days a month, each month without pay that kind of thing. And it turned out that for most of the country, the dire concerns and fears from Corona virus did not turn out to be the case.

1 (2m 18s):

And in fact, revenues held up when you take the whole 12 months of 2020, they ended up much better than expected down overall, less than 2%. It's still 2%, but nothing compared to what was feared. And this year, it may be down depending on the state, a little more than that, but a number of States actually have tax revenues now that are higher than what they were before. This is important on two levels, actually three. It means that people who may have faced a lay or furloughed hours, that's not happening in most cases, second government services that looked like they'd be cut back at the state or local level may have only been cut back or we'll be at the margins, not major wholesale cutbacks.

1 (3m 18s):

And then the third thing is often when we go through a cycle like this state and local governments raise taxes, which compounds all the pain and that doesn't look like that's going to be part of this cycle as well. And I saw a heat map of the United States done by the urban Institute. And as you might expect the, of the big state's, the ones that have been hurt the most and tax collections are Hawaii and Florida, those too in particular, because they are so dependent on tourism, there was not data on Nevada, but I imagine Nevada would be right there with them with declines in revenues because they are so tourist dependent.

1 (4m 9s):

These three States in reverse will spring back pretty strong. Once tourism resumes later this year is we've got enough vaccines and people's arms taxes has been hit really hard as has North Dakota because these two States produce so much energy and the oil and natural gas sectors have been very much effected. And the tax revenues they produce has declined. But other than those States, the country generally has come through much better than expected, which is good for your wallet.

1 (4m 53s):

Good for those 20 million, approximately people that work for the state and local government. And also good for the services that you expect from your government at the state or local level. It's time for your questions. You posted for me at Clark dot com slash ask Krista, which you got

2 (5m 14s):

Kevin in New York wants to know what will happen to the economy when rents, mortgages, and other loans come do, how many times can moratoriums realistically be extended?

1 (5m 26s):

So the consequences for the economy are not going to be terrible. The consequences for individuals are going to be brutal. Specifically. I talked about recently for renters. This is going to be a train wreck for home owners, not so much because of unique factors with the home market. The, the reality is that when an economy goes through a tough economic cycle, homelessness, as the economy gets better, exactly the opposite of what you think is you think that in the midst of the coronavirus related unemployment that we would have in the midst of that, the big increase in homelessness, but the economists say that follows a recovery, not at the trough of the bottom.

1 (6m 22s):

So yes, that will have horrific impact on children whose parents live in rental housing is going to be in a lot of doubling up with the people, moving in with friends or family until they can get back on their feet. And in past cycles, it would have meant the same thing with homeowners. It will not mean that this time, because of what's going on with home values right now, homeowners who can't pay their mortgages have a reasonable exit strategy. Pretty much everywhere.

2 (6m 59s):

Janelia in Georgia says I recently received a phone call from my security provider, informing me that they would need to upgrade my security wall panel from the current 3g to 5g due to cell phone providers, switching their towers over the five, over to the 5g network. The cost would be \$199. I didn't, I did know of the change, but isn't necessary to upgrade my panel at this moment. And should the security companies charge their customers for an issue that is beyond their control,

1 (7m 28s):

Right? It's beyond the control of both the burglar alarm companies and you as a consumer \$200 is a lot when you can buy a from the ground up self-install burglar alarm system that you could put in yourself and have cheaper monitoring. And that would be an alternative for you. If you're not into the whole idea of doing your own thing, it is a service call. That's expensive for the burglar alarm companies, and they have no choice, but to convert people away from three G is those 3g towers are being turned off. So this is one that's a lose lose for you as a consumer and the burglar alarm company.

1 (8m 15s):

It's possible that if you shot for a new burglar alarm company, just in order to get your monitoring business for your existing system, they might give you the, the cut-over to five G for free just don't sign any longterm contracts to get that service call. That's going to cost you \$200 otherwise done for free, and ultimately the cost of the monthly monitoring over time matters more even than this \$200 junk fee.

2 (8m 48s):

All right. And another husband and wife disagreement for you to weigh in on Jack and Florida says we bought a vacation home at the beach three years ago. We have no on our primary residence. After listening to you, I refilled a 30 year, 4.37% mortgage last year. And to 2.2, 5% for 15 years, with a balance of \$250,000, we have \$300,000 in a conventional IRA that I set aside for the cottage. My wife would like to pay off the mortgage and be debt free. I would like to keep the IRA in the market. I'm 68. My wife is 58. We live comfortably on our civil service pensions, my military pension and my social security. We've also, we also have substantial 401k savings.

2 (9m 29s):

So should we pay up the mortgage in the cottage with the IRA or keep the IRA earning returns over the next 15 years?

1 (9m 38s):

2.25% is so compelling. The odds that over the years, your IRA will out-earn, that are overwhelming. That's a very low bar to overcome the 2.25%. You could, as a compromise, pull money out of the IRA each year enough that you would be able to pay off. Let's say, if you took out 25,000 a year, over 10 years, you'd be done with the mortgage and she'd be happy cause she'd be in her sixties and there'd be no mortgage at all.

1 (10m 19s):

But in two and a quarter percent, my preference as you leave that IRA alone and pay off that loan as agreed over the 15 years and this case I side with you, not your wife, even though as I say, your wife has always right in this case, the balance tips to you,

2 (10m 41s):

Casey and, and the Illinois says with More automakers making electric vehicles like the new fully electric

Ford Mustang, the \$7,500 federal tax credit is back in play for consumer's looking for Foley electric vehicles. Could you explain how it works and how can I make sure that I get \$7,500 worth of value from this offer?

1 (11m 1s):

Okay, so great question. There are only as I'm aware of right now, two automakers that have produced themselves out of the tax credit, and that is GM and Tesla with other automakers till they hit a total number of units sold of electric vehicles, which if I remember writes a quarter of a million, the buyers of electric vehicles are eligible for a \$7,500 federal tax credit. And so it's not based on anything about you. It's based on whether the automaker you're buying from has sold big inventory of electric vehicles. And one by one, they will get closer to that total.

1 (11m 43s):

Then the credits cut in half, then cut in half again, and then it vanishes. So it goes from 7,500 to 3,750 to 1,875 to zero in step downs. As the volume sold goes up and coming up, I want to talk about a particular type of fraud that is separating investors from their money. I'm going to tell you what you need to be on the lookout for.

0 (12m 17s):

So you decided to upgrade your outdoor deck. So you ordered the essentials, a power washer, a set of patio chairs and a shiny new grill. And you used your bank of America, cashew awards, credit card, choosing to earn 3% cash back on online shopping or up to 5.2, 5% as a preferred rewards member, which you put towards the cost of your most essential deck addition, a bird feeder apply for yours@bankofamerica.com slash more rewarding copyright 2020 bank of America corporation.

2 (12m 52s):

This episode is brought to you by progressive saving money on your car. Insurance is easy with progressive. It's an average savings of over \$750 for customers who switch and Save in fact, customers can qualify for an average of six discounts on their auto policy with progressive including discounts, just for starting a quote online, or having multiple vehicles on their policy. Get your quote online@progressive.com and see how much you could be saving national annual average auto insurance savings by new customers surveyed in 2019 potential savings will vary discounts vary and, or not available in all States in situations

1 (13m 33s):

Ponzi schemes are now a hundred years old, at least the term being used in the United States where a con artist convinces you, that they have a business or an investment opportunity that will get you a great, great return. The most famous of late is Bernie Madoff who stole billions from people and had convinced very sophisticated people, investors who should have done more homework, more digging, that he had figured out a formula for what was referred to as the Maydoff tent, that in any market condition, he had come up with a hedging strategy where he could guarantee you 10% return on your money without risk.

1 (14m 28s):

Well, we know how that ended up. He absconded with billions of dollars from people and a lot of people, as I said, who were investors who should have known better, just wanted to believe and got taken. And now there are multiple reports that Ponzi schemes are thriving again around the United States. The sec has charged an investment group called GPB capital holdings with stealing \$1.7 billion.

1 (15m 9s):

Allegedly from 17,000 people, they were told that they would get 8% monthly distributions and that they would be covered by profits. The sec allegations, falsified financial statements, backdated performance guarantees, and false income statement, showing income that did not exist. And as long as the money keeps coming, people believe these things. Why? Because they want to, they want to believe them. And the reality is it happens again and again and again, by people of all levels of sophistication, all different ways that people want to think that it really is the simple, you know, there's a Blog run by a woman named Kathy fel called The Ponzi Scheme Blog.

1 (16m 12s):

And she has been able to identify somewhere between three and 10 Ponzi schemes each month, according to the New York times, her Blog is one that I read some on. And then I got to tell you, how is she? She's got such a great smile on her face. How is she keeps that smile when, what she sees every day, or are these cons that cost people so much money? Here's one most recent postings that she posted just last week where a con artist through something called Jim coin stole \$147 million.

1 (17m 5s):

Some people another one, \$300 million, some people one after another, after another, and everybody's got their hook. Everybody's got their story about how they've come up with a way for you to make a great deal of money. And one thing for you always to remember with any Ponzi Scheme, if it's really that great, if they've really come up with this great, wonderful proprietary method to make money, why are they pitching it to you? They never pitch it to you. They would keep all the winnings to themselves, right?

1 (17m 50s):

But it's all about taking your money by you buying into whatever they're pitching and you in turn think, Hey, I'm going to get rich. And instead it's the con artist who's getting rich with a it's always seems there's the private jet, the fancy mansions, the fancy cars, all that stuff seems to be what they all run out and do with the stolen money. And that's why when the Ponzi gets busted, most of the money is already gone and spent, you know, one thing that's consistent with these Ponzi schemes is overwhelmingly.

1 (18m 34s):

They are older guys. People who may have actually done legitimate business over time, they may have

been lawyers. They may have been financeers whatever. They've got some street cred in an investment sense, and people just lend their trust to them and give them the money. The reality, any thing that is involved with you doing a private placement of money, where you're turning it over to somebody on typically his promise, not his or her, his promise about how much money you're going to make.

1 (19m 15s):

And you can't independently verify anything they're telling you. That's when you have so much risk that you're going to get taken. Anybody you promise as you extreme returns or anyone who promises you higher than normal returns, but says there's no risk to it. That's when you know, you're one step away from getting taken. And if you ever want to do some really interesting reading, read Kathy Phelps, Blog about the various ways that people come up with to steal your money.

1 (19m 57s):

And it will make you much more careful. Anytime somebody pitches you on that, can't lose investment idea. Krista.

2 (20m 7s):

Well, speaking of scams, Melissa says I received an email referencing an old password telling me they have created a deep, fake adult video. And unless I pay them over \$5,000, they will release it to my friends, family, and work colleagues. I've contacted the police, but not sure if there's anything else I should do at this time, other than not respond,

1 (20m 30s):

Don't respond. This is a thing right now. And you don't know when it is. There's actually been a deep, fake, created a fake pornography or compromising sexual content of some kind. Usually though, it's not that it's just trying to extort money from you. And this one is making the rounds.

3 (20m 57s):

Yeah. My, my wife actually got an email recently and that was frightening to someone saying, Hey, they, they had to the link at the bottom of the email saying we have a video of you, especially with the explicit sexual content. And yeah, I think that one don't click on the link. If there is a link, right? If there's a link to a video and then two don't respond, don't give to these people the time of day, I think they are looking to, you know, take advantage of people who do respond and with worry

1 (21m 24s):

In the deep fake thing is in a number of facets of life. Going to be a, a risk that we're going to have to understand that the technology exists today to create a fake images, fake videos of various things. And I know that from the editing software that we have in our industry and podcasting, that you can pretty much take someone like me, who said so many words over the years, and you can make those words say

anything. And so we're going to have to be prepared for that. Particularly in a dictatorships totalitarian societies, there's going to be a continual problem with deep fakes of audio and video in this case, just assume they scam is trying to create fear in you where they either can take over your computer, your identity, or get money out of you and ignoring the threats and deleting the e-mail.

1 (22m 31s):

The best thing to do.

2 (22m 34s):

Haseeb in California says I had auto pay with my car manufacturers, financial arms set up on their website. It was working well and suddenly stopped for no reason. So I missed a payment when I called them. They had no idea why I had it had stopped. I never got any email mail texts or notice that I did not pay. I paid it right away because it was, but because it was 35 days late, they reported it to the credit bureaus. But you did not know how do I right. And mediate this situation.

1 (23m 1s):

Okay. That is so ridiculous. As a luxury brand, their finance arm, they mess up and then they ruin your credit. Okay. I got several steps for you to do. Number one, if you're active at all on social media, post about it on social media and name the brand, every which way. Number two dispute The pass. Do I eat them on your credit report? That triggers a 30 day period where you also are expected to contact this finance arm to do something about it. But then the big thing with a luxury brand is talking to the general manager of the dealership of that luxury brand, where you bought the vehicle.

1 (23m 48s):

They have a factory zone rep that they can contact on your behalf. You bought a luxury brand that is supposed to come with luxury service. And the general manager of the dealership is the individual who can be your advocate with his own rep for your brand of vehicle and get this squared away. I want to hear from you. And then you understand that gave you several tactics to do all at once. I want you to doing all of them, and I want to hear back. If you still ran into a brick wall, I bet you won't. I bet you'll be able to resolve it. I want to thank you so much for being a part of the team car community.

1 (24m 32s):

If you need more advice, please call our free team Clark consumer action center for seven Oh two eight four seven one three seven. That's (470) 284-7137. You'll see more about us in the hours of the consumer action center, by going to Clark dot com slash CAC. And please subscribe to this podcast and give us a review.