

0 (0s):

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 are not available in all States and situations.

1 (40s):

<inaudible>,

2 (47s):

It's my pleasure to welcome you here to the Clark Howard show our mission to serve and empower you. So you make better financial decisions in your life. And today's episode, I'm going to talk about flood insurance and why you may want to get it. Even if you aren't in a flood plain, also, you may have heard of fast fashion, but if you heard of fast furniture, so we have a home that is not in a flood plain, but we have flood insurance. And so you may think I'm out of my mind, but the deal is we live by two minor creeks.

2 (1m 28s):

They come together on our property and they continue in during the heavy rains, which can occur in this spring. The Creek can start to look like a pretty menacing thing. Thank goodness. And more than 10 years living where we do, we've had not even close to a flood in our house and we had anything. It would just hit our basement, but because we're not in a flood plain and our risk is so exceedingly Whoa, the premium is extremely low, just a few hundred dollars a year. And now our premiums after a reset coming later this year are almost certainly going down for our flood insurance because our risk profile is extremely low, but the coverage I get is up to \$250,000.

2 (2m 23s):

In reality, for if any damage only occurred to our basement, then the coverage is essentially 25,000. But again, the premium is so low that in the extremely unlikely event that it would happen, it would still be worth it. Krista, we haven't talked in years about what happened to you. There was such a devastating, personal and financial experience when your home suffered a major flood in 2009 and in your area, 10,000 homes were heavily damaged or by those floods. And you were in a situation with your home where you were in a flood plain, but you had a relatively minor Creek behind your home.

2 (3m 11s):

And if I remember right, correct me where I'm wrong, there were 22 inches of rain and 15 hours is that.

3 (3m 17s):

And then the sewer backed up into the Creek, which was really another bonus.

2 (3m 22s):

And your house became, it looked like a, literally it looked like a houseboat. And I remember you and your husband, Mike were on your 10th anniversary. Traveling came back, landed, and I'm with you at the curb, looking at your house, as tears are rolling down your face and you see water just going through you're home. And that was a brutal experience.

3 (3m 51s):

The power of water is amazing, but I'll say I I'm glad that it happened to us. Ultimately for me personally, only because I found how lucky I was. And I had people like you and other people in my life who were so good to us, and we didn't know what the finances we're going to be like after, but we were, we were totally fine. And thank goodness had the means to get back in and, and take care of things. And then what did for me was when you have a Flood, they take all the stuff out and then it gets thrown into dumpsters and everything. They have to tear it apart. If you have the kind of damage we had and just seeing all that material stuff, it didn't mean anything to me. There were just a couple of sentimental things that mattered. And so it's really changed my perspective in a positive way.

2 (4m 35s):

Well, that's why your, you, that you looked at what was a brutal experience of that time, where you are having trouble even sleeping. And you now look at it as a positive event. Most people don't look at a Flood is a positive life event. And there are because of development patterns in urban and suburban areas of we so overwhelmingly urbanize all across the major metros of the country, we lose a lot of vegetation and a lot of areas, a lot of tree cover that increases the flooding risk. Then you layer on top of that, the issues from climate change.

2 (5m 19s):

And so we are seeing increasing flooding activity. And that's why a lot of homes that that may be in a position where, yeah, they're not in a flood plane, but there is a good possibility that your home could see an invasion of water. Even though it's not on the flood maps, this would be something you should look at and see what kind of Premium you'd face at FloodSmart dot gov. Now that's number one. Number two is USA. Today did an in-depth write up on the change coming to the national flood insurance program.

2 (6m 1s):

And as part of those changes, people that are in extremely high risk categories are going to see their premiums, just go bananas for a flood insurance, way, way, way up his, the feds, try to realign the risk level of an individual property with what the cost is, the taxpayers who subsidize the national flood insurance program. So, one thing about the change is that if you are an existing homeowner and your flood insurance premium goes up 3000%, you're not going to pay that 3000% increase.

2 (6m 47s):

The maximum, your premium can go up in a year. Allegedly apparently is 18%. So you would see an increase. You'd have to expect that 18% increase every year. However, at the time you sell your home, the buyer would absorb the full new market price for that coverage. So if the premium's gone up 3000%, even though you didn't face it, the buyer of your property would, what you should know is someone buying a property that is in a high risk flood zone. You have to prepare for potentially paying extremely high flood insurance premiums and these things that are coming along sometimes get delayed in the political process, but it's going to happen.

2 (7m 42s):

And under our show notes for today, we'll have the full writeup of this story. And in there is a link where you can look up based on zip code, the risk levels, where are you? Are? You are able to see how much this would be a concern, particularly if you're moving from one Metro area to another, you're not really tuned into this. Maybe you are an area that's not subject to flooding. You'll be able to see the risks involved.

3 (8m 15s):

All right, Clark in Minnesota says, I want to buy the condo that I'm renting. There are 11 rentals out of 20 for one other unit is for sale. And the HOA forced someone out and bought the unit at auction. Is this a red flag to someone who is an emotional about the issue

2 (8m 35s):

When you're in a position where a small condo development of 24 units, you've got roughly half of them that are rentals, that is a big, big red flag and makes it difficult for the condominium community to turn around. Because at that level of non-owner occupied units, getting a traditional conventional financing and a condo becomes very, very hard. And I wouldn't like you. I know you probably love where you're living as a renter. I'd like for you to go out and look at what else is available nearby, and particularly protect yourself on looking and condominiums that have tight collars, tight caps on whether or not rentals are allowed.

2 (9m 30s):

I used to own a condo that the community had 116 units, and it had reached a point where we lost access to conventional financing because so many units were rented and that depressed the values. So the membership voted in a bylaw change that banned any future owner from renting out. And as units turned over, it ended up that I was the longest owning unit owner there. And I was the last one left out of the 116. There was allowed to rent and they had a parade when I sold my unit.

2 (10m 13s):

And there were no more rentals at all. No I'm exaggerating, but they were happy to see me go and have it 100% owner occupied because it just is so much better from the perspective of the lenders,

3 (10m 29s):

Tom and Massachusetts says, hi, Clark, I'm a new listener, loved the show. I just finished my taxes for 2020. And because of a couple of life changes, marriage and a baby I'm receiving a decent size credit. I've heard you mentioned in the past that your refund should be as close to zero as possible with the updated w four form from the IRS in 2020. It seems to be a lot more complicated than the old form. I tried using the estimate calculator on their website, but with my job, having a lot of overtime some weeks and none other weeks, the calculations will never be consistent. What do you think I should do? Because I'm tired of giving the government an interest free loan.

2 (11m 6s):

So you are so write the new w four form that the government, I guess, was trying to make the, is more accurate for people who have made them go haywire, because nobody can understand the new W for. I looked at it recently and it was just crazy. Shake your head at it because I really do think they and, and had good intentions and good faith wanted to make it easier, but no, there's no way to figure it out. So I don't have good guidance for you on that, but you should claim as many exemptions as you can.

2 (11m 51s):

And just know that it's going to take a few years before you get the math, right under the new system, so that you are in fact making as little of a interest free loan to the federal government as you possibly can. You know, the bigger reason that you don't want to do this time is not because of the interest free loan. It's because of tax fraud. Where if somebody files a return, as if they're UW, you typically have to go through a very slow process to get your real return filed and put through the system.

2 (12m 32s):

And they refund you're owed typically takes a year more or less to get at that point. The next Americans have been fluffing their ness and buying furniture over the past year of Corona virus like crazy. But when you be better off renting it,

4 (12m 53s):

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 are not available in all States and situations.

2 (13m 39s):

This past fall. I had a question from somebody wanting to know if I thought it was a good idea since furniture depreciate so heavily and value to add. I think it was a better idea to rent furniture instead of buying it. And I

was like, kind of dumbfounded. And it turns out that this is the thing now, particularly with people and their twenties and thirties who rent apartments, they are more mobile that renting furniture has become a thing. And there are now several companies that they have the apps and the mobile websites, and you go on them and you pick out the furniture and everything is quoted and cost per month.

2 (14m 23s):

And so you rent a sofa, you rent a chair, you rent a dining room, set, whatever. And they say, this is 14 a month. This is nine a month. This is 22 a month. And on like that. And then when your lease is up, you got nothing. You got to move other than your clothes. It may be some family heirlooms. And the rental company comes and gets the furniture. So this is very, very convenient and intensely expensive. Roca is furniture does depreciate like crazy.

2 (15m 7s):

I'm trying to think what loses value quicker than furniture. The only thing I can think of is electronics, but the second you buy a piece of furniture. It's value drops like a rock. And a weird thing I saw in business week in is how much furniture people just abandon each year that people don't even try to sell it. They just leave it at the dumpster. Can you believe it? So I was talking to my brother who had looked on line about when they move to a new place, getting furniture on the local Facebook marketplace page.

2 (15m 59s):

And then he started dealing with a hassle about how you get furniture to your place. And then how do you lug it upstairs and all that. And, and it is a hard thing. According to Bloomberg, 80% of furniture, the equivalent of 80% of furniture manufactured in a year, ends up in landfills in the same year. Not that year as furniture, but that's how disposable we treat furniture. Now the reality is the smart money. Maybe not for upholstered furniture, but everything else get used.

2 (16m 39s):

I mean, it's freaky at the end of a month. When people move out of an apartment complex, how much furniture you see sitting outside the dumpster, this is a new form of dumpster diving. You don't have to dive in the dumpster. You just grab the wood furniture next to the dumpster and you end up paying nothing for it. Cresta.

3 (17m 5s):

Okay. Clark Ray says my boyfriend and I are looking to legally get married. We're trying to figure out how to not take on each other's debt while doing so. I don't want him to become responsible for my student loans. And he doesn't want me to become responsible for his credit card debt. How do we do so? Because this is pretty much the main thing, holding us up. Marriage is important to us because we want to become a unit. When we have kids, we just don't want to get penalized for it.

2 (17m 30s):

So the scoop on this and congratulations to you is that debt's of yours. When you get married, remain yours, debt's of your fiancée remain your fiancée's when you get married. And the only thing you've got to be aware of is there are a small number of States or what are known as Community Property. Once you are married debts that you develop in marriage are the debts. One is the debt of both, that you are both responsible for the financial life of the other, from the date of marriage forward. But in terms of debts that predate, the obligations remained to that individual that were there before you got married.

2 (18m 18s):

Now, if you want to keep it really clean, you use new credit when you get married and don't use your old credit and wean away from it, pay it off. And then it's clear that you're not co-mingling those debts, but if you continue to use those after your date of marriage in the Community Property state only, and you can look online as to whether the state you live in is Community Property. You would then know that you have to take that precaution. If you're not in the community property, state, then the debt obligations of yours remain. The obligations only have that one.

2 (18m 58s):

And Christa check just for your own knowledge. Your state is not Community Property so you don't have to worry about that part. Anyway,

3 (19m 7s):

Anonymous says my husband invested a portion of his 401k in game stop and AMC, right before they crashed. What should I recommend he do with the stocks?

2 (19m 19s):

These are highly speculative situations that were very unusual phenomena, and there are people who rode these up and made big money. There are others who bought when there was a lot of media coverage of both of these companies, and you've written them hard and down way, fast way far. And so if your husband is not believe these are going to recover at this point, then I guess you go ahead and just treat it as a loss and a lesson, and you bail out and go into more diversified funds available in the retirement account.

2 (20m 7s):

You know, I'm not a big fan of buying individual stocks, especially not buying what are known as story or momentum stocks. And both of these were both of those things at the same time that were only, they only ran up in value because of what happened on Reddit. And there was not the intrinsic value that the stock market reflected for a period of days or hours. And so they crashed back to earth and she is just an expensive lesson learned for a lot of people.

3 (20m 42s):

Michelle and Alaska says in your online banking reviews, there is nothing about USAA checking. How would this compare to your top choices?

2 (20m 51s):

Great question. And the only reason that we did not cover USAA bank is it's a captive bank is really there for my fellow USA members. My kids both use USAA bank. One of my brothers uses USAA bank is his only bank. And what you get with USAA bank is you avoid a lot of gotcha fees. You have, what's considered to be very good customer service, very good quality and low interest loans. And what you don't get is any meaningful interest on savings accounts or checking accounts with USAA bank

3 (21m 34s):

Sherilyn, Connecticut says, well, I'm currently using a dependent care FSA to pay for daycare for my younger child. Can I also open and withdraw from a five 29 plan to pay for K through eight private school for my older child, will there be a penalty or limitation because I'm using both options at the same time,

2 (21m 52s):

Not at all. You are allowed to take up to \$10,000 in a school year from a five 29 account to pay for K through 12 private education. And the question is, is that the best strategy, by the very way, I said that, you know, there are reasons I would say that's not necessarily the best strategy because the great advantage of a five 29 account is tax-free growth. And when you spend money from the five 29 for K through 12, you lose the many, many, many years of tax free growth that that money can have being used for college rather than being used for private school.

2 (22m 39s):

If you put just tons of money in a five 29, you are on a good trend line for college, and you want to use some of that money up to the annual max for K through 12, then go right ahead. And I want to tell you how much I appreciate your trust in me being part of our podcast and being part of team Clark. And I want you to know something that a lot of people aren't aware of for more than 28 years, we provided free one-on-one advice as well. And you can talk with the team Clark consumer action center on Mondays through Thursdays, you can see the hours specifics and the phone number to call.

2 (23m 24s):

If you go to Clark dot com slash CAC, and if you're not a subscriber to our podcast, please consider doing so and let us know how you feel we're doing by reviewing what you're hearing from me each and every Podcast

1 (23m 41s):

<inaudible>.