SIGNS OF A SCAM AND HOW TO AVOID IT

Although scammers often target older people, younger people who encounter scams are more likely to lose money to fraud, perhaps because they have less financial experience. However, when older people do fall for a scam, they tend to have higher losses.[1]

Regardless of your age or financial knowledge, you can be certain that criminals are hatching schemes to separate you from your money — and you should be especially vigilant in cyberspace. In a financial industry study, people who encountered scams through social media or a website were much more likely to engage with the scammer and lose money than those who were contacted by telephone, regular mail or email.[2]

Here are four common practices that may help you identify a scam and avoid becoming a victim.[3]

SCAMMERS PRETEND TO BE FROM AN ORGANIZATION YOU KNOW

They might claim to be from the IRS, the Social Security Administration or a well-known agency or business. The IRS will never contact you by phone asking for money, and the Social Security Administration will never call to ask for your Social Security number or threaten your benefits. If you wonder whether a suspicious contact might be legitimate, contact the agency or business through a known number. Never provide personal or financial information in response to an unexpected contact.

SCAMMERS PRESENT A PROBLEM OR A PRIZE

They might say you owe money, there's a problem with an account, a virus on your computer, an emergency in your family or that you won money but have to pay a fee to receive it. If you aren't aware of owing money, you probably don't. If you didn't enter a contest, you can't win a prize — and you wouldn't have to pay for it if you did. If you are concerned about your account, call the financial institution directly. Computer problems? Contact the appropriate technical support. If your "grandchild" or other "relative" calls asking for help, ask questions only the grandchild/relative would know and check with other family members.

SCAMMERS PRESSURE YOU TO ACT IMMEDIATELY

They might say you will "miss out" on a great opportunity or be "in trouble" if you don't act now. Disengage immediately if you feel any pressure. A legitimate business will give you time to make a decision.

SCAMMERS TELL YOU TO PAY IN A SPECIFIC WAY

They may want you to send money through a wire transfer service or put funds on a gift card. They may send you a fake check, tell you to deposit it and send them money. By the time you discover the check was fake, your money is gone. Never wire money or send a gift card to someone you don't know — it's like sending cash. Never pay money to receive money.

For more information, visit consumer.ftc.gov/features/scam-alerts.

1, 3) Federal Trade Commission, 2020
2) FINRA Investor Education Foundation, 2019

GRANDPARENT 529 PLANS GET A BOOST FROM NEW FAFSA RULES

529 plans are a favored way to save for college due to the tax benefits and other advantages they offer when used to pay a beneficiary's qualified college expenses. Up until now, the FAFSA (Free Application for Federal Student Aid) treated grandparent-owned 529 plans more harshly than parent-owned 529 plans. This will change thanks to the FAFSA Simplification Act that was enacted in December 2020. The new law streamlines the FAFSA and makes changes to the formula that's used to calculate financial aid eligibility.

CURRENT FAFSA RULES

Under current rules, parent-owned 529 plans are listed on the FAFSA as a parent asset. Parent assets are counted at a rate of 5.64%, which means 5.64% of the value of the 529 account is deemed available to pay for college. Later, when distributions are made to pay college expenses, the funds aren't counted at all; the FAFSA ignores distributions from a parent 529 plan.

By contrast, grandparent-owned 529 plans do not need to be listed as an asset on the FAFSA. This sounds like a benefit. However, the catch is that any withdrawals from a grandparent-owned 529 plan are counted as untaxed student income in the following year and assessed at 50%. This can have a negative impact on federal financial aid eligibility.

Example:

NEW FAFSA RULES

Under the new FAFSA rules, grandparent-owned 529 plans still do not need to be listed as an asset, and distributions will no longer be counted as untaxed student income. In addition, the new FAFSA will no longer include a question asking about cash gifts from grandparents. This means that grandparents will be able to help with their grandchild's college expenses (either with a 529 plan or with other funds) with no negative implications for federal financial aid. However, there's a caveat: grandparent-owned 529 plans and cash gifts will likely continue to be counted by the CSS Profile, an additional aid form typically used by private colleges when distributing their own institutional aid. Even then it's not one-size-fits-all — individual colleges can personalize the CSS Profile with their own questions, so the way they treat grandparent 529 plans can differ.

Use of 529 Savings Plans

	2019	2020
Total number of accounts	13.4 million	13.9 million
Total account assets	$346 billion	$398 billion

WHEN DOES THE NEW FAFSA TAKE EFFECT?

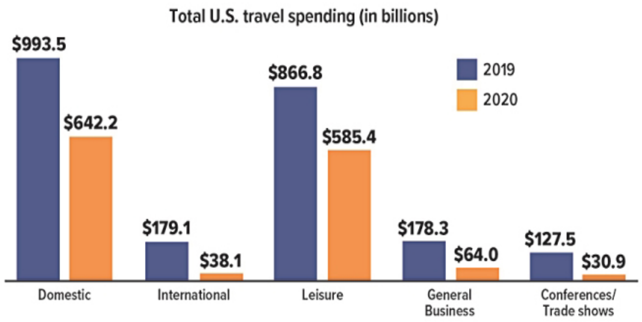
The new, simplified FAFSA opens on October 1, 2022 and will take effect for the 2023-2024 school year. However, grandparents can start taking advantage of the new 529 plan rules in 2021. That's because 2021 is the "base year" for income purposes for the 2023-2024 FAFSA, and under the new FAFSA, a student's income will consist only of data reported on the student's federal income tax return. Because any distributions taken in 2021 from a grandparent 529 account won't be reported on the student's 2021 tax return, they won't need to be reported as student income on the 2023-2024 FAFSA.

COVID 19 LEFT THE U.S. TRAVEL INDUSTRY REELING

2020

30

23 2021



2024

Source: U.S. Travel Association, 2021

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