



February 2016

Worse than Taxes

Protecting Yourself from Tax Scams

Tax season is perhaps the most widely hated time of the year. It's annoying and, for many, expensive. But despite its unpopularity, some people are determined to make it even worse: tax scammers.

Wherever there is money, there is someone willing to steal it. Tax season provides thieves with several opportunities to fleece people who are just trying to do their civic duty. Fortunately, being able to recognize the signs of a swindle can offer a lot of protection. Here are some of the common tax scams thieves like to use:

Stolen Refund

The Scam: A thief steals taxpayers' information, files their tax returns before them and pockets the refunds. When the victims go to file their taxes, the IRS informs them that their taxes have already been filed, causing complications and delays on their real returns.

Defense: This scam is difficult to block because taxpayers don't know it's happening until it's too late (though the IRS has greatly increased its efforts to detect and stop fake returns). Personal information stolen digitally is the thieves' greatest asset. Be sure to protect your computer from viruses and delete any unwanted emails that request personal information or ask you to update your IRS e-file account.

Opportunistic Preparers

The Scam: A dishonest tax service skims refund money or personal information after preparing clients' taxes. Refund skimming has become particularly easy to disguise because many tax preparers allow you to pay service fees directly from your refund. While convenient, this process can obscure refund values and make it easier for preparers to charge undisclosed fees. Aggressive scammers will actually falsify your tax information to secure a bigger refund while putting you at risk of tax fraud.

Defense: If you have someone else prepare your taxes, make sure they are trustworthy and reputable. Although many quality services allow you to pay with your refund, it is best to pay fees upfront when using a new tax service. This will reveal the true cost

of filing and whether the service is offering competitive rates. Always copy and review your tax return before it's submitted; you are legally responsible for your return, even if you did not prepare it.

Tax Extortion

The Scam: Rather than intercepting tax returns, some ambitious scammers actually impersonate IRS agents and try to collect additional taxes. After calling an individual and identifying themselves with fake names and fake government ID numbers, the scammers demand extra taxes be paid immediately to a specific bank account or P.O. box. These scams often target recent immigrants who are unfamiliar with U.S. tax procedure.

Defense: If you receive an unexpected call from the IRS, hang up. The IRS never calls anyone without first mailing a letter to resolve the issue. Also, the IRS does not demand immediate payment or require payment in a certain form (many scams use wire-transfers or prepaid debit cards). Scammers may also reveal themselves by using threats, hostile language and follow-up calls from someone claiming to be the police—things the real IRS never does.

For additional information on tax scams, review the IRS consumer alerts webpage at: <https://www.irs.gov/uac/Tax-Scams-Consumer-Alerts>.

What to Do If Your Tax Refund is Stolen

Despite the best efforts of both taxpayers and the IRS, some tax scams are successful. If you believe you've been scammed, it's important to act quickly to minimize the damage. Although some scams might only delay your return, others could indicate serious identity theft. It may not always be possible to get back money lost in a scam, but protecting your financial accounts can keep things from getting much worse.

If you suspect your identity has been stolen, follow the government's official instructions found here: <https://www.usa.gov/identity-theft>.

the market at a glance

JANUARY

U.S. Large Cap (S&P 500)

1,940.24 (-5.07%) ▼

U.S. Mid/Small (Russell 2000)

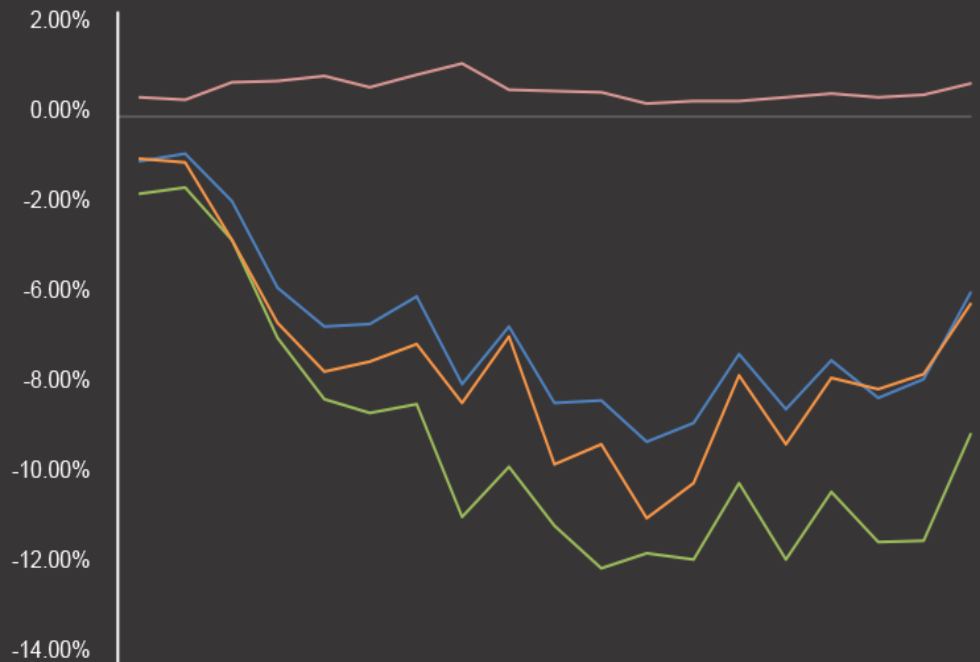
1,035.38 (-8.85%) ▼

International Large (NYSE International 100)

4535.78 (-5.35%) ▼

U.S. Bond Market (Dow Jones Equal Weight U.S. Issued Corporate Bond Index)

343.27 (0.55%) ▲



Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

The market in action

- The Commerce Department reports that the U.S. GDP grew 2.4 percent during 2015, a rate similar to 2014. Faster growth earlier in the year was offset by a weak fourth quarter, which grew at an annualized rate of just 0.7 percent.
- In an effort to stimulate its economy, the Bank of Japan lowers interest rates to -0.1 percent, effectively charging banks for excess savings. Japan is the second major government bank to take its interest rates negative (the European Central Bank did it mid-2014).
- Automakers report a record 17.47M new vehicles sold in 2015, beating the previous record of 17.4M set in 2000. Analysts cite low interest rates and falling gas prices as major factors in elevated sales.
- Chinese stock markets experience their shortest trading day ever on January 6 as "circuit breakers" designed to stop a market crash halt trading after just 14 minutes of activity. Under the circuit breaker system, the markets were only allowed to fall 7 percent before trading was suspended until the next day.
- Hounded by sanctions, inflation and plummeting oil prices, Russia's preliminary economic data shows its GDP contracted by 3.7 percent in 2015. Russian workers are thought to have experienced a 10 percent drop in real wages during the year.
- After disappointing sales in 2015, retail icon Macy's announces plans to cut 3,000 jobs and restructure its store management over the next few years.
- China reports its economy grew 6.9 percent in 2015. Though rapid compared to most of the world, it is the slowest growth rate the country has had in 25 years.
- The U.S. Bureau of Labor Statistics reports that the economy added 292,000 jobs in December, indicating that 2015 finished with strong employment growth.
- Ireland-based pharmaceutical company Shire Plc announces plans to acquire U.S.-based biotech firm Baxalta for approximately \$32B.

Driverless Cars Aim to Change Everything

According to data from the Federal Reserve Bank of St. Louis, Americans drove more than 3 trillion miles last year. At an average speed of 40mph, that's roughly 23,000 years of human life spent each day doing little more than sitting and focusing on pavement. What's worse, car accidents also kill more than 30,000 people in the United States every year (Insurance Institute for Highway Safety).

How can we help people reclaim their time and stay safer on the road? Replace them with better drivers, of course.

An American Cornerstone

Nothing has shaped American construction and consumerism quite like the car. It's encouraged spacious design in everything from suburbs to shopping malls and has created hundreds of secondary industries. America has been so accommodative to automobiles that we are now dependent on them. In 2013, 85.8 percent of Americans used automobiles to get to work (U.S. Census Bureau). Even if someone can avoid owning a car, they'll still need to rent one or use a taxi from time to time.

However, just because America needs cars, it doesn't necessarily need drivers. Various companies are designing self-driving vehicles, believing that a fully automated car could improve the quality of the American commute and drastically reduce vehicle accidents.

While it's unclear when (or if) companies will be able to deliver an autonomous car, it's fun to consider what a world of self-driving cars might be like.

Vehicle Impact

If a practical self-driving car is ever mass produced, the first major change would be to ride services. Given the opportunity, taxi companies would rush to replace their drivers with autonomous cars. The disappearance of drivers would cut costs of taxi operations and drastically reduce fares. If taxi services become cheap and convenient enough, households could even reduce or eliminate car

ownership. Why deal with the expense of owning a car when you only drive it a couple times a day?

If many Americans gave up car ownership, several changes would quickly follow. Large parking lots, for instance, would be rendered pointless since driverless cars would drop off passengers and have no need to idle. Though this may seem insignificant, reclaiming parking space would fundamentally change how we design our cities, houses and businesses.

A road full of autonomous cars would also change the quality of driving. Computerized vehicles could coordinate their movements with each other, drastically improving their efficiency. The result would be a faster commute that allows people to simultaneously socialize, read or work while on the road. Additionally, computers cannot become drowsy, distracted, intoxicated or physically impaired; they always obey rules and drive safely.

Unfortunately, the transition to a driverless world would not be painless. Much like taxi drivers, many gas station and auto shop workers would lose business to centralized garages used for rapid (or automatic) repairs and refueling. Similarly, the auto industry would need to consolidate due to a drop in overall car sales, while the multibillion auto insurance and auto loan industries would shrink greatly.

Real Possibilities

Several car companies believe they will be able to begin production on a driverless car in the coming years; however, issues with regulation, safety, public adoption, quality and costs of self-driving systems still remain uncertain.

A world of self-driving cars may seem bizarre, but automation is nothing new. Humans have been unloading our repetitive tasks onto computers for decades—this is just the next step. In the end, it won't be a question of whether we can make cars that drive themselves; it's whether we'll be ready to trust them at 70mph.

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