Stawnychy™
FINANCIAL SERVICES

Registered Investment Advisor

FINANCIAL
newsletter

June 2019

Wise tips for homeowners to save this summer

The tail end of winter in 2019 was among the coldest in recent history, bringing temperatures not seen in most locations for over 20 years and even setting some record lows. With the "polar vortex" now well in the rearview, consumers are gearing up for the summer season to kick off. This is an opportune time for many homeowners to tackle different remodeling projects around the house. Before the season officially begins on June 21, here are some tips for saving on these new additions.

Use longer light hours for landscaping needs

Graduation parties, barbecues, and holidays add up to a higher likelihood of hosting family and friends in the summer months. Early summer is a great time to get a head start on landscaping projects that will bring your yard to life. Although retail sales may be tough to find, opting to complete yard work on your own can bring sizable savings compared to hiring a landscaping company.

According to improvenet.com, the median cost for yard maintenance services in the U.S. is $226 per month but can cost up to $700 per month on the top end.

Exterior painting on a budget

With college students home for the summer, homeowners may look to student-run painting services for exterior paint jobs. While the quality might not reach the level of expensive professionals, serious savings can be had for a decent paint job.

Homeadvisor.com reports that the average homeowner spends between $1,714 and $3,682 to paint their house. Student-run services will often be in the lower price range and able to beat other professional quotes.

Rack up savings on an early-summer roof replacement

According to Angie's List, late summer and early fall are the busiest times of the year for roofing contractors, giving homeowners an opportunity to rack up savings by scheduling their project for early summer. Unpredictable spring weather in the previous months makes June an ideal time to contact a roofing company and get the project underway.

Expect to pay between $3 and $7 per square foot, with the average total cost ranging from $4,900 to $14,100.

Save by strengthening home security

Though many summer projects can include a great deal of labor, one way to save without breaking a sweat is installing a home security system. The cost of installation can vary, with a DIY project ranging from $50 to $300, while a professional system can range $300 to $1,500.

Savings then come via reductions in your home insurance rates, with some insurance providers offering reductions of up to 25 percent for those with installed security systems. Before moving forward and counting on these savings, check with your current insurance provider on the discount offered and if only specific systems qualify.

Hot deals on cold weather needs

Products that are intended for winter use can have substantial savings in the summer months. One of the best areas for savings is in furnace inspections and replacement. By scheduling a furnace inspection in the summer, you will ensure that everything is running properly and may be able to score a discount on the inspection cost with lower seasonal demand for technicians.
In the event that a replacement is needed, many installation companies will have unsold inventory from the previous winter available at a fraction of the price. According to Angie's List, inspections cost as little as $60 to $85 while a new replacement gas furnace ranges from $2,250 to $3,800.

Also, look to score a deal on a snowblower in the coming months. While most consumers are shopping at the local power equipment store for lawn mowers and weedwhackers, you can often pick up last year's models on sale. Already in recent weeks, both Home Depot and Walmart have run sales of 30 percent off or more and expect these discounts to pop up throughout the summer.

The market at a glance

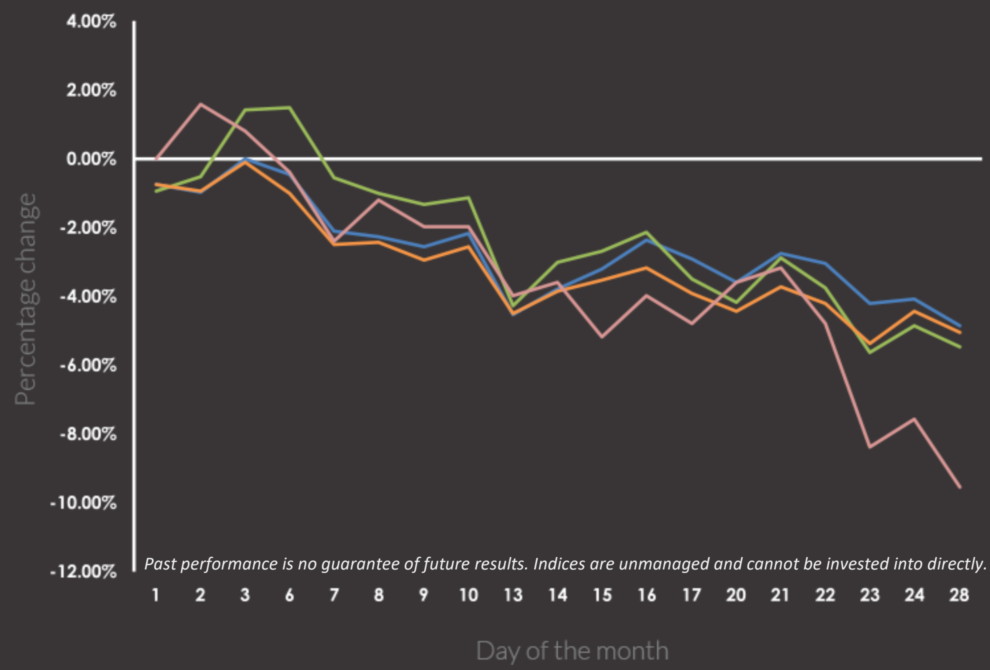
May

U.S. Large Cap
(S&P 500)
2,752.06 (-6.58%)▼

U.S. Mid/Small
(Russell 2000)
1,465.49 (-7.90%)▼

International Large
(NYSE International 100)
5,186.37 (-6.44%)▼

U.S. Treasuries
(U.S. 10-year Treasury yield rate)
2.14 (-14.74%)▼



The market in action

- In its first day as a publicly traded company, transportation service company Uber lost investors $655 million as share prices tumbled from starting at $45 to finish at $41.70. According to Dealogic the company's valuation of $69.7 billion was still large enough to rank third in IPO history behind only Alibaba and Facebook.

- Detroit auto manufacturer Fiat Chrysler proposed a merger with France-based Renault, which would create the world's third largest automaker, jumping past General Motors to only trail Volkswagen and Toyota. Following news of the possibility, shares of both companies jumped more than 10 percent.

- Following escalating trade talks between the U.S. and China, more than $1 trillion was wiped off the global markets in just one day highlighted by the Dow Jones Industrial Average dropping 618 points. In retaliation to the U.S. imposing a 15 percent increase in tariffs on Chinese-made goods, China imposed a 25 percent tariff of its own on American-made goods

- Ford Motor Company announced it will be cutting 7,000 white-collar jobs by the end of August as part of a global corporate restructuring. The cut will represent a 10 percent reduction of salaried staff and will save the company nearly $600 million per year.

How credit card companies turn a profit

Sometime this summer, the third largest company in the U.S. will launch a new competitor into the credit card space. Technology giant Apple announced in March that it will soon debut a new consumer credit card in partnership with Goldman Sachs. The card is unique in that most everything about the card is designed to be done on an iPhone – from the application process, to payments, to account management and support. For Apple, the primary motivation is to continue building the adoption of its mobile payment platform, Apple Pay, amongst the nearly 800 million iPhone users worldwide.

For Goldman, Apple Card will be an interesting test as the multinational investment bank who had been trying to cut costs will now invest more than $200 million to build out a customer support infrastructure and internal payments system to handle the new venture. The move continues Goldman's aim at consumer-focused offerings which began in 2016 when the company launched its online consumer bank, Marcus, to counteract declines in its securities trading profits.

Though Goldman emerged as the final partner for Apple Card, it is reported by CNBC that several other major financial institutions were in talks to work with Apple. One of those final in the running was Citigroup, who said it dropped out due to concerns over the profitability of the card's no-fee and low-interest structure. In the wake of this news, here is a look at the different responsibilities of those companies involved in offering a credit card and how these companies turn a profit.

Card issuers vs card networks

Though Goldman Sachs is the headline partner of Apple Card, they are not the only player involved. Goldman serves as the card-issuing bank and is responsible for covering the credit issued to users. Some of the most common card-issuing banks in the U.S. include Bank of America, Capital One, Chase, and Citi.

Most cards also operate by using a credit card network to handle transaction approval, card acceptance, and payment processing and facilitation. The two main card networks in the U.S. are Visa and Mastercard, the latter of which is the card network for Apple Card. Additionally, American Express and Discover operate as both card issuers and card networks.

Interest charges

The most popular and profitable source of revenue for credit card companies are interest charges. Outside of certain promotions, card-issuers will charge interest anytime money is spent using a credit card. This is done at an annual percentage rate (APR), which according to creditcards.com has an average of 17.72 percent in the U.S. as of May 2019.

Interest rates are not the same for everyone and are calculated based on a borrower's credit score. Most card issuers will offer a range of interest rates to their borrowers even if using the same type of card. For example, person A with an excellent credit score will likely have a lower interest rate on the same credit card as person B with a fair credit score.

According to research firm R.K. Hammer, interest charges were the largest source of revenue for card companies in 2016 bringing in over $63 billion across the industry.

Interchange and network charges

The second largest revenue source for card issuers are interchange charges, which give a small percentage of the sale purchase from a merchant back to the issuing bank. This rate in the U.S. has a current average of just under two percent for in-store purchases while online transactions range between 2.3 to 2.5 percent. In 2016, interchange charge revenue totaled just over $42 billion.

On top of this, credit card networks will also take a percentage of each transaction, though it is far less than the interchange fees collected by issuing banks. Visa and Mastercard will typically collect around 0.05 percent of each transaction. While this cut for card networks may seem small, consider that these charges apply to all the card issuers they work with. For instance, Mastercard charges a network transaction fee on all purchases for both the Citi Premier Card and Captial One Platinum Card, along with the many other cards for which they are the network. According to the 2018 Nilson Report, a publication covering worldwide payment systems, Visa has 3.15 billion cards in circulation while Mastercard has 1.82 billion.

Annual fees

Some card-issuers will charge a flat-rate annual fee just to be a holder of a certain type of card. These vary widely with many cards having no annual fee to some having fees in the thousands of dollars. Often, cards with an annual fee have other perks attached such as a lucrative rewards program, airline miles for every certain dollar amount spent, or access to benefits such as lounges at airports. A study conducted by ValuePenguin.com in 2018 found the average annual credit card fee in the U.S. to be $147.

Credit card companies hauled in $12.5 billion in annual fee revenue in 2016.

Penalty fees

Although very avoidable for consumers, penalty fees continue to be a big revenue source for credit card companies. These fees appear most often when a late payment is made but can also be charged for exceeding a credit limit or bouncing a payment. Today, most card issuers offer a set of tools to help users avoid these fees such as automatic payment options and credit limit restrictions. Still, penalty fees brought in $12 billion for card issuers in 2016.

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