

FINANCIAL MUSINGS

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When is it enough?

Is it possible to save too much for retirement? We continually hear you need a million dollars to retire. Or you need to be able to support 80% of your current income. Or you must limit your withdrawal rate to 4% of the value of your portfolio to not run out of money.

There are hundreds of thousands of people out there living on just social security alone. They have little to no savings. In some cases this social security is \$10,000 or \$15,000 a year. Could you live on that?

Think about that closely. If you earn \$50,000, \$75,000 or even \$200,000 now and you are not saving for retirement with that kind of earning power, how are you going to survive on \$20,000 once you reach retirement age?

On the other end of the spectrum maybe you are one of the lucky that still has a company or gov-

ernment-funded pension. You have scrimped and saved to put the maximum into your 401(k) for the last 15 years or more. And you have been putting the maximum in your IRA account.

You may be in a position where your retirement situation is fine. If what you have saved grows at a reasonable rate, you will have more than enough to fund your retirement.

You may be one of the lucky few who can afford to reduce your retirement contribution. Maybe you can afford to not contribute quite so much to your 401(k) or not fully fund your IRAs.

Saving for your retirement is a must. It is a balancing act however between saving for that future and putting a little fun into your life now. Maybe that means splurging on a once-in-a-lifetime vacation or buying that brand new car instead of used one. Do



On Track to Retire?

not put yourself in the position of saying “wait until I retire, then I am really going to live”.

I cannot tell you how many stories I have heard where an individual retires. Two years later he is dead, having spent his whole life waiting and saving for retirement.

In reality you can never save too much for retirement because there are too many unknown variables. If you are fortunate to be in the position of having a sizeable nest egg, do the math. Maybe you can ease up a little. There are numerous retirement calculators out there that can determine which side you fall on. Saving too much? Not saving enough?

Have you protected yourself?

There are numerous ways that you can decrease your visibility in today's world.

Sign up for the National Do Not Call Registry (www.donotcall.gov).

This however does allow anyone who has a relationship with you to continue contacting you. So if you checked those boxes on forms or the net that you are willing to receive related companies' offers they can call. So

uncheck those boxes since generally the default is to sell your name.

If you sent a charitable contribution, they can still call. In this case you tell the organization you will stop contributing if they do not remove you from their list.

Contact the Direct Marketing Association's website (www.dmaconsumers.org) to get yourself taken off the junk mail lists.

To reduce catalogues you get, e-mail optout@abacus-us.com. This is where most of the catalogues get their lists from. To stop credit card offers, go to optout-prescreen.com and register.

In fact in NY you can now freeze your credit report so no one has access unless you unlock it. You would need to do this when you are shopping for a loan. Note that they may be a charge to unlock it. Contact the credit bureaus if you want this protec-

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My business works because of you and people like you. If you are happy with the service that I provide for you please consider referring me to your family, friends, co-workers and others. I am looking to expand my financial planning practice, the college funding assistance and the income tax practice.

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Five secrets of financially successful people!

Those who are financially successful generally have five characteristics. The “numbers” in the definition of financially successful will vary from person to person, but they and others consider them to successful.

First, they have a big dream. They are willing to sacrifice to achieve that dream. It is the carrot on the end of the stick. Strong desires bring strong results. Write those goals down to make them as specific as possible.

Financially successful people have a plan. They know their goal and what specific steps need to be taken to achieve that goal. There is

nothing vague about what is required.

These individuals are financially educated. This does not mean an in-depth knowledge of everything financial. They understand the basics of the stock and bond markets. They understand when to borrow and when to not. They understand how to protect themselves from scams and identity theft.

They understand the value of saving, the act of putting away something each month towards the unexpected. They also save for irregular, but normal expenses such as property taxes, life insurance payments or car repairs. These



It takes work!

individuals protect themselves from temporary setbacks and do not run to the credit cards every time something comes up. Oftentimes an emergency fund exists.

Finally successful people have a confidence about them.

Temporary setbacks do not discourage them. They believe that they will be successful. Building a strong financial future takes hard work and a lot of patience. The rewards speak for themselves however.

Are your assets going to go where you want to?

Have you titled your assets to be distributed the way you want them to be?

For example, putting your child’s name on a checking account means that is an asset of that child. He gets to elect whether to divide the contents among his siblings or keep it all for himself. That name on the account supercedes what you may have put in your will.

Same is true for putting one child’s name on a savings account, or putting one name on the family home.

You might say “my son would not do that”. There are too many horror stories out there of children fighting over an inheritance to not be concerned.

And, even if this child wants to distribute the assets the way you desired his hands may be tied.

Look at the example of naming just one child as the beneficiary of an IRA account. That child will be required to pay the taxes on all money distributed to him. Is it fair for his siblings to get an equal share? And if the amount is large enough it can create gift tax consequences.

Where titling becomes even more important is if you have created a living trust. The assets that you want to belong to the trust must be titled in the name of the trust. Otherwise you will not avoid probate.

There are too many horror stories out there of children fighting

Failure to retitle assets to the trust means that the will comes into play in determining the distribution of those assets. If no will exists, the state gets to determine how your assets are divided.

If you want to protect a second spouse or children from a previous marriage titling takes on a whole new meaning. Do yourself a favor and get with an estate planning lawyer. Review the assets to insure they are titled to properly go where you intend them to go.

Isn't it important enough?

Our children go to school approximately 180 days a school year. We encourage them to learn sports, be involved in extra-curricular activities, and take advantage of the available arts programs.

Explain why the financial intelligence of our children is just not as important?

Too often high school graduates do not know how to balance a check book. They do not know the difference between a variable



and a fixed rate loan. The concept of compounding interest is foreign. They do not understand the risks and the rewards of the stock market. Most have never had to live within certain monetary limitations.

The parents assume that their students are learning this in school. The school assumes they are learning this information at home. So in the end, no one is teaching it. And it is not unusual for the parent themselves not to

know because no one taught them.

Consider contacting your local school district to ask that a financial basics course be required to graduate from high school. Or, at least made available. If your child’s school offers one, be sure to take it. Ideally children would start learning in grade school.

If your school is not going to teach this information, make sure that you do. And if you do not know these concepts, shame on you. Learn them alongside your children. Take a class, read a book, search the Internet.

So, you want to teach your kids about money?

So, I got your attention with the article on page 2. There are eight common mistakes that you should avoid teaching your child about money if you are going to take on the task.

One—do not make money mysterious. Talk with your child about money. Instill good habits at an early age. Money gives you freedom, security, and choices. It does not buy happiness or love. Let your children dream about what they want and show them how to get there. Involve your child in saving, investing and giving money, not just spending money. Talk about what a dollar will buy today compared to what it cost when you were younger; guess what it will be in the future.

Two—avoid talking negatively about money. Telling your child something is too expensive or we cannot afford that can be harmful. To a young child it means I am not good enough or he may become fearful that he will not have enough for the necessities. Instead tell him it is not in this week's budget, he will have to use his own money and suggest ways that the child can earn money to purchase the item.

Three—giving your kids money for nothing in return. Free gives the appearance of entitlement. If they know they can simply ask and receive regardless of their behavior or performance of required chores, you are teaching the wrong message. Give an allowance con-

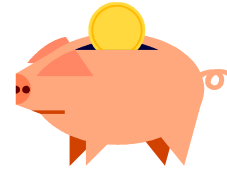
The sooner he gets started, the easier it will be.

sistently, on the same day each week. And give it only if chores have been performed. Think about the fact that you would not get paid if you did not do your work so why should your child? The younger you start this, the more effective it will be.

Four—avoid the paycheck to paycheck syndrome. Do not teach your child to get a dollar and immediately spend it. If they want to be wealthy they need to learn to save. Save a portion for short term goals and emergencies in a safe place such as money market account. A portion should be saved for long term goals and invested into the stock market. Give a portion to charity to help them become aware of the less fortunate. Allow him to spend the remainder, but help him make wise choices as to how to spend it. Realize that he needs to make mistakes to learn while he is young.

Five—not starting a savings account early enough. Savings is not saving for a goal, such as a video game or bike. This is just a temporary delay in spending. You need money that is put away for the future. It is that portion that you have put into the stocks. This is for retirement. Have him start saving for college to create the expectation that he will be going to college.

Six—do not create a lifestyle that your child cannot afford. Let him want for things. Let him earn the money. Let him figure out how to



Mistakes can be costly!

get it and how to overcome obstacles for what he wants. This goes back to the entitlement. How many teenagers believe they should have a brand new car just because you have a brand new car? How often are young adults moving back in because it is more comfortable at Mom and Dad's than trying

to meet rent, car payments and student loans along with everything they want or feel entitled to?

Seven - not teaching a work ethic. A work ethic is something you teach; it is not automatic. Have high expectations of your child and be sure to let him know what you expect. Saying your child is lazy is just another way of saying you have not taught your child a work ethic. Talk with him about the difference between doing an OK job and taking pride in what he does. Teach him that he deserves respect from those around him and that he must give respect to those around him.

Eight— not teaching kids the power of investing and compounding interest. How many times have you said that you wished you had started saving earlier for retirement? Do not let your child be saying the same thing in another thirty years. It may seem odd to have your sixteen year old saving for retirement, but remember he may not be able to count on social security or a company pension. It will all be on his shoulders and the sooner he gets started, the easier it will be.

Are you or your child thinking of traveling abroad?

New regulations that took effect in January of 2008 now require documentation for out-of-the-country travel.

If you want to go to the Canadian side of Niagara Falls, you will need a driver's license and birth certificate. Starting in January 2009 you will be required to have a passport.

If you want to go to the Bahamas or any foreign country, you will need a passport. Oftentimes our children are involved in school trips that travel overseas or to

Canada. This requires documentation to re-enter the United States.

Because of this new requirement the length of time to obtain a passport has increased substantially. In some cases it is taking as long as eight weeks. Yes, you can get a "priority status", but this will still mean 60 days and an additional fee.



The sky is the limit!

The recommendation at this time is, that even if you do not think you will need a passport, to

go ahead and apply for one. If the idea strikes you to go catch a hockey game in Canada or you win that four day cruise to the Bermuda, you will be ready to go.

A passport lasts for ten years. In the Binghamton area you can obtain your passport at the Henry St Binghamton post office. Current cost is \$142 (child \$97). You will need a passport photo. This can be taken at the passport office or at a photo studio. In either case there is a fee for the photo to be taken also.

Now may be the time to make a nondeductible IRA contribution!

If you have always wanted to have a Roth IRA, but your income level has been too high to be able to take one out, now is the time to begin to prepare. Currently, if your income is above \$166,000 and you are married filing joint you cannot put money into a Roth IRA. The dollar amount for a single individual is \$114,000.

There will soon be a work-around for this. Regardless of your income you can put money into a traditional nondeductible IRA. You can put in \$4000 for 2007 (\$5000 if over age 50) up until April 15, 2008. Since it is a nondeductible IRA you will not get a current tax deduction for it, but be sure we complete Form

8606 so that the IRS is notified that this contribution has been made.

You can then add up to another \$5000 for 2008 and again in 2009 and 2010, being sure to complete Form 8606 each year.

In 2010 the income restriction for being able to convert to a Roth IRA is lifted. You would then convert this traditional IRA to a Roth. You will not have to pay tax on the contributions in doing the conversion, but you will have to pay tax on the earnings. If you do this in 2010 you will be able to spread that tax over two years. You



Opportunity is knocking!

will have \$19,000+ to convert with minimal tax due.

There is concern however. If you have traditional IRAs that were originally deductible, you will have to prorate the percentage of nondeductible and deductible in determining the taxable converted amount. The nontaxable amount

would be less than the \$19,000 you put in since some of this would be taxable.

If this is something you want to consider, please give me a call and we will review your situation.

Is leasing a car a good idea?

Sure you get to drive a brand, new shiny car every couple of years. And, yes oftentimes the payment on the lease is less than the payment would be for purchasing the car outright.

The problem being, you will always have a car payment. After the three year lease is up you have to pay out a significant amount to keep the car, you have to move onto another new lease or you have to purchase a different car.

All three of those options put you in a position of making a payment.

Lets take the example of a \$40,000 car. You might be able to get a \$15,000 two year lease. At the end of two years to keep the car you must come up with \$17,000. Most individuals

would end up financing that amount for five years. The car is now seven years old and you are just finishing making payments on it. You will soon need another car.

If instead you purchased the car outright you would have done so with a 5 year car loan. At the end of the five year term you own the car free and clear. Two years less of payments for the same car.

Yes, the payments for the loan will be higher than the lease payments. Be realistic, however. If you cannot afford to make the required loan payments, then you probably cannot afford the car.

With leasing you have the concern of going

Two years less of payments for the same car.

over the mileage limit and being required to pay extra at the end of the lease. You have also done maintenance and put tires on a car that does not belong to you.

People see it as the way to be able to drive a better car than they really can afford. Do you want to put your family in this kind of financial jeopardy? It is easy to sell a car if you lose your job. It is not easy to get out of a lease. Think of a car as a means of getting from one place to another. It should not be seen as anything more than that.

Have you protected your child?

When you are in your teens and twenties you believe you are invincible. When you are in your thirties and forties you tend to know that you are not invincible, but bury your head in the sand about death coming.

It is estimated that only 44% of single individuals have a written will. For married couples that number increases to 54%.

The big problem—many of those without a written will have children. What happens to your child-

dren if you do not arrange ahead of time for someone to care for them?

Maybe you know that you want your husband's sister to raise them. Or maybe you do not have any immediate family, but have a close friend whom you would place them with. Maybe you are the significant other in a relationship with no legal ties to the children. What would happen then?



Upon your death

The courts get to decide. A

lawyer will be hired for your children. Together a judge and your children's lawyer will determine where they will finish growing up. This may not be in the same household. It may be with that trusted friend or brother.

It may however also be in foster care homes and state facilities. Your children will be devastated enough at your passing. Do you really want to put them through court proceedings to determine where they will live?

Write a will today. Go to a lawyer, do it on line, buy a kit. It does not matter, just do it.

Are you making the choices you really want?

Is the high cost of gas causing problems for you? Or the rising prices of milk and other groceries? Maybe it is the ever-increasing costs of health care. With costs expected to continue increasing this situation will only get more strained.

Whether you are retired, living on a pension or social security or still in the work force trying to raise a family you can be feeling the pinch of increasing costs.

Helping this strain can only be done by making appropriate choices. You have heard before about going on a budget and documenting where all your money is going. I suggest that as soon as you hear the word budget I may have lost you. You cannot stick to a budget.

Well—I am here to tell you that you are right. Very few individuals can maintain a budget because it means sacrifice, deprivation and restrictions. I am suggesting instead that you develop a spending plan.

You know you should give up that morning

coffee from Starbucks, but do not want to. I say keep it, but be willing to give up something else. Maybe going out to lunch everyday or that daily trip to the vending machine.

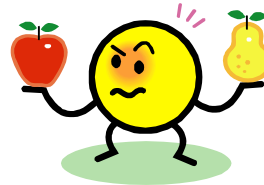
Maybe you really do watch all those premium cable channels that you have and do not want to give them up. Agree then that you will not go to the movies and spend the \$8+ in the theater. Or get rid of the premium and rent more DVDs. Maybe Netflix is the way to go to see all the movies you want in the cheapest way.

Do not want to get rid of that cell phone? Maybe it is time to get rid of your land line instead and use your cell phone exclusively.

Maybe you still want to be able to go out to dinner twice a week. So—agree to two nights out at low cost restaurants or instead chose one night out at a more expensive restaurant.

If you are trying to get together with friends

maybe rotate potluck dinners at each house or agree to go out for drinks or dessert rather than dinner.



How do I decide?

Agree to buy only 2 bottles of the name brand soda per week and then switch to the cheap stuff or water. Bottle your own water rather than buying bottles.

The opportunities are endless.

The key is to realize that you cannot have it all. Take what you have and decide what is important to you. Be willing to give up something to keep your “favorite thing”.

Whenever you are about to spend money ask yourself, is this really what I want to spend it on? Sometimes the answer will be no, but you will have to spend it anyways such as paying the light bill. Sometimes though you will be able to put that credit card or cash back in your wallet and say “I have better things to spend my money on”.

Is long term care insurance right for you?

Long term care includes home care, living in assisted living centers and living in a nursing home. Medicare does not pay for long term care other than potentially 20 days of rehabilitative care. Your health insurance usually does not pay for long term care.

Maybe you think you will just pay for long term care out of pocket when the time occurs. Think about it. Cost right now is about \$200 a day in the nursing home. In fifteen years that amount is expected to be closer to \$500 a day. How many days can you afford to pay before you run out of money? Home care can be just as expensive if you need extensive help.

The answer for some is Medicaid. You will spend through your assets and qualify for this low income program. Be aware that your choices now become limited. The state generally considers it more cost effective to have you in a nursing home than to keep you at home.

You may not be able to get into a nursing home in your area and visitors will be required to travel an hour or two to see you.

For some, however, this is the only answer because they cannot afford the cost of long term care premiums.

The answer for others may be care by family and friends. This can work for a while. Maybe you can move in with your daughter. Will she need to quit her job to stay home when you can no longer stay home alone?

This will put a strain on both you and her. You will not be in a home of your own. Suddenly you are asking her to curtail activities to be available for you. It is possible resentment will build up. It does not mean that she does not love and care about you. It is just she has her own life to lead, maybe her own children to raise.

For some seniors with assets greater than \$2 million or more, you will be able to self pay. You have the resources to be able to come up with that \$500 a day without leaving a spouse destitute.

For many the answer is long term care insurance. This protection allows you to stay in your home as long as possible and get the care

you need without placing strain on your children. It gives you more freedom to chose a nursing home. And if you later become Medicaid eligible it is not likely that you will be moved from this initial nursing home.

Yes, I understand that the cost of long term care insurance can be expensive. There are ways to make it more affordable. Longer elimination periods, shorter benefit periods and lower daily benefit amounts. You do not need to insure 100% of the costs. You also have the option of having a nursing facility only policy or a home care only policy.

The other argument that I hear is, what if I end up not needing care? The more important question is, what if you do need care? Insurance is to assist in such a catastrophe. Maybe the new combination life insurance-long term care insurance is right for you then.

Do not just sit and worry about this. Determine what your options are. Lets work together for a solution. Do not leave this looming for you to worry about.



Insurance can be your parachute!

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Relax, I am here to help you

I hope you are enjoying Financial Musings. Please feel free to pass it onto a family member or friend. Or if you want give me a call with their names and addresses and I will add them to my mailing list to receive their own copy.

Gerri Harrison Financial Services provides financial planning and tax preparation services to individuals and small businesses. "I want to be part of the family. There for the good and the bad. Everyone has a job and purpose in the family. My job is to assist you in achieving your financial dreams and aspirations as well as meeting your financial obligations and concerns. I want to be there to pack your child off to college or pack you off to retirement. I want to be there through the christenings, weddings, illnesses and deaths. Whenever there is a financial matter you have a questions about I want the first thing you think of to be "Gerri will know how to handle it.".

Procrastination, it can be costly!

We all procrastinate at one time or another. Have the project that you dread doing? Do you find a particular task boring? Not sure how to respond? Need to buy supplies.

The worst thing you can do is let it sit there. You will be thinking about it in the back of your mind. At times it can raise your blood pressure or cause insomnia. You feel as if something is always nagging at you, like a small child pulling at your shirt tail. You may find yourself unable to concentrate or become more easily irritated.

The important step here is to determine what is keeping you from fulfilling the requirement. Are you afraid of failure? Not sure what to do? Always have something else to do? Do not think it worthy of your time?

Once you determine why you are procrastinating



Time is of the essence!

then you can take steps to work through the problem. If you are unsure of what to do ask your employer, spouse or the assigning party for clarification.

If you are dealing with a boring task that you just dread starting, break it into smaller pieces. Agree to work on it for 20 or 30 minutes and then reward yourself with a cup of coffee or a call to a friend. Make it a game by involving someone else or competing against yourself.

If you always have something else to do, look at scheduling your time better. You may actually be filling your time with unimportant tasks just to prevent working on this one. Again try the 20 to 30 minute technique or developing the task into a competition for yourself.

If you find yourself in a continual state of saying "I will do that tomorrow", it may be a time management issue. Evaluate your day. Keep track of your time for two or three days.

See what it is you are filling it with. Make corrections as necessary.

To help you manage your time better prepare a list of action items the night before. Prioritize the list by what is necessary to accomplish, not what you want to do.

Attach a time frame to each of the tasks. Be sure to allow time for interruptions such as phone calls, obtaining supplies or a coworker. Be realistic. You may think you can get those twenty things done, but that would only happen if everything went perfectly.

Delegate those tasks which you can. Involve others if possible to make the task more pleasant. Break one big task into four or five smaller tasks. Whatever it takes for you to get started. You will find once started you can often stay motivated to see the task through.

And when you have accomplished a task on your list, be sure to cross it off. It is amazing how much satisfaction you get from this.