Financial Fitness Kit 2017

Your financial future is in your hands.

SEE INSIDE FOR DETAILS.
# Helpful Websites & Phone Numbers

## Financial Education, Speakers, Assistance
- **Oklahoma Society of CPAs**
  - Website: [www.KnowWhatCounts.org](http://www.KnowWhatCounts.org)
  - Phone: (800) 522-8261
- **Find Your CPA**
  - Website: [www.FindYourCPA.com](http://www.FindYourCPA.com)
  - Phone: (800) 522-8261
- **Tinker Federal Credit Union**
  - Website: [www.TinkerFCU.org](http://www.TinkerFCU.org)
  - Phone: (800) 456-4828
- **OKC Estate Lawyer (Donna Jackson, CPA)**
  - Website: [www.OKCEstateLawyer.com](http://www.OKCEstateLawyer.com)
  - Phone: (405) 840-1874
- **Quail Creek Bank**
  - Website: [www.QuailCreek.bank](http://www.QuailCreek.bank)
  - Phone: (405) 755-1000
- **Weokie Credit Union**
  - Website: [www.Weokie.org](http://www.Weokie.org)
  - Phone: (800) 678-5363
- **Retirement Investment Advisors**
  - Website: [www.theretirementpath.com](http://www.theretirementpath.com)
  - Phone: (405) 842-3443
- **360 Degrees of Financial Literacy from AICPA**
  - Website: [www.360financialliteracy.org](http://www.360financialliteracy.org)
  - Phone: (405) 842-3443
- **Oklahoma Jump$tart Coalition**
  - Website: [www.OklahomaJumpstart.org](http://www.OklahomaJumpstart.org)
  - Phone: (877) 654-7284
- **Oklahoma 529 College Savings Plan**
  - Website: [www.ok4saving.org](http://www.ok4saving.org)
  - Phone: (800) 678-5363
- **Weokie Credit Union**
  - Website: [www.Weokie.org](http://www.Weokie.org)
  - Phone: (800) 678-5363
- **Quail Creek Bank**
  - Website: [www.QuailCreek.bank](http://www.QuailCreek.bank)
  - Phone: (405) 755-1000
- **Federal Student Aid**
  - Website: [www.fafsa.ed.gov](http://www.fafsa.ed.gov)
  - Phone: (800) 433-3243
- **In investEd**
  - Website: [www.investedok.org](http://www.investedok.org)
  - Phone: (877) 777-4778
- **IRS**
  - Website: [www.irs.gov](http://www.irs.gov)
  - Phone: (877) 777-4778
- **Oklahoma Tax Commission**
  - Website: [www.tax.ok.gov](http://www.tax.ok.gov)
  - Phone: (800) 522-8165
- **Oklahoma Society of CPAs**
  - Website: [www.KnowWhatCounts.org](http://www.KnowWhatCounts.org)
  - Phone: (800) 522-8261
- **Find Your CPA**
  - Website: [www.FindYourCPA.com](http://www.FindYourCPA.com)
  - Phone: (800) 522-8261
- **AICPA**
  - Website: [www.360taxes.org](http://www.360taxes.org)
  - Phone: (800) 522-8261
- **Equifax**
  - Website: [www.Equifax.com](http://www.Equifax.com)
  - Phone: (800) 685-1111
- **Experian**
  - Website: [www.Experian.com](http://www.Experian.com)
  - Phone: (888) 397-3742
- **TransUnion**
  - Website: [www.TransUnion.com](http://www.TransUnion.com)
  - Phone: (855) 681-3196
- **Quiz]]ele**
  - Website: [www.Quizzle.com](http://www.Quizzle.com)
  - Phone: (800) QUIZZLE
- **Okla. Small Business Development Center**
  - Website: [www.oksbdc.org](http://www.oksbdc.org)
  - Phone: (580) 745-2877
- **Oklahoma Department of Commerce**
  - Website: [okcommerce.gov](http://okcommerce.gov)
  - Phone: (800) 879-6552
- **U.S. Small Business Administration**
  - Website: [www.sba.gov](http://www.sba.gov)
  - Phone: (800) 827-5722
- **Free CPA referral in Oklahoma**
  - Website: [www.KnowWhatCounts.org](http://www.KnowWhatCounts.org)
  - Phone: (800) 522-8261
- **Oklahoma Office of Homeland Security**
  - Website: [www.ok.gov/homeland](http://www.ok.gov/homeland)
  - Phone: (405) 425-7296
- **Troops to Teachers (Okla.)**
  - Phone: (800) 231-6242
- **Money as You Grow**
  - Website: [www.MoneyAsYouGrow.org](http://www.MoneyAsYouGrow.org)
- **Rich Kid Smart Kid**
  - Website: [www.RichKidSmartKid.com](http://www.RichKidSmartKid.com)
- **H.I.P. Pocket Change**
  - Website: [www.USMint.gov/kids/](http://www.USMint.gov/kids/)
- **Biz Kids**
  - Website: [bizkids.com/](http://bizkids.com/)
- **Junior Achievement of Oklahoma**
  - Website: [www.jaok.org](http://www.jaok.org)
- **American Red Cross**
  - Website: [www.redcross.org](http://www.redcross.org)
  - Phone: (800) 733-2767
- **Federal Emergency Management Agency**
  - Website: [www.fema.gov](http://www.fema.gov)
  - Phone: (800)-621-FEMA
- **Oklahoma Office of Homeland Security**
  - Website: [www.ok.gov/homeland](http://www.ok.gov/homeland)
  - Phone: (405) 425-7296
- **Disaster Recovery Resources**
  - Phone: (800) 733-2767

## Your Personal Phone Numbers

<table>
<thead>
<tr>
<th>Name</th>
<th>How Related (Family, friend, Employer, CPA, attorney, doctor, etc?)</th>
<th>Phone Number</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# Financial Fitness Kit

## TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Taking Care of Your Family</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>Paying for College</td>
<td>14</td>
</tr>
<tr>
<td>3</td>
<td>Young Adult Issues</td>
<td>22</td>
</tr>
<tr>
<td>4</td>
<td>Credit and Debt</td>
<td>30</td>
</tr>
<tr>
<td>5</td>
<td>Investing</td>
<td>38</td>
</tr>
<tr>
<td>6</td>
<td>Retirement Planning</td>
<td>43</td>
</tr>
<tr>
<td>7</td>
<td>Estate Planning</td>
<td>53</td>
</tr>
<tr>
<td>8</td>
<td>Tax Issues</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td>Sample Budget</td>
<td>70</td>
</tr>
</tbody>
</table>

---

**Chapter 1: Taking Care of Your Family**

Family comes first, right? Use these tips to help take care of those you love most. This chapter is sponsored by Quail Creek Bank. Learn more at QuailCreek.bank.

**Chapter 2: Paying for College**

The cost of going to college continues to climb, but there are ways to lower prices. Find out how you can trim higher learning expenses.

**Chapter 3: Young Adult Issues**

A first job, a first apartment... being on your own has lots of firsts, but “deep in debt” doesn’t have to be one them. Put yourself on the right financial footing. This chapter is sponsored by Tinker Federal Credit Union. Learn more at TinkerFCU.org.

**Chapter 4: Credit and Debt**

Credit can be tricky and debt is never fun. Learn how to clean up and keep good credit and ways to climb out of debt.

**Chapter 5: Investing**

Investing is for everyone who has financial goals. Get the basics and let your money work for you.

**Chapter 6: Retirement Planning**

Does anyone really want to work forever? Start building a nest egg for your golden years using these tips.

**Chapter 7: Estate Planning**

If you don’t have an estate plan in place, the state will have one for you—but it may not be what you want. Protect your loved ones and make sure your assets go where you want them to go. This chapter is sponsored by Donna J. Jackson, CPA, Attorney at Law, PC. Learn more at OKCEstateLawyer.com.

**Chapter 8: Tax Issues**

Uncle Sam will always take more than you want to give. Don’t pay more than you have to and make sure you get any refunds due to you.

---

In celebration of April as National Financial Literacy Month, the Oklahoma Society of Certified Public Accountants (OSCPA) urge Oklahomans to take stock of their financial situations.

Consider these findings compiled by the National Jump$tart Coalition ("Making the Case for Financial Literacy," jumpstart.org):

1. 48% of teens think their parents will help pay for college but only 16% of parents (of teens) report planning to pay for post-secondary education.
2. Of those who are repaying their own student loans or their children’s educational loans, 58% expressed that they are unable to establish emergency or retirement savings or purchase a car as a result of that financial commitment.
3. Although 65% use a savings account, less than three in 10 use potentially higher-yielding investment vehicles such as a 401(k) (29%) or IRA (25%).
4. 68% of students expect financial support from their parents post-graduation. Nearly half of students, however, would be willing to pay rent to live back at home.
5. Generation X (age 35-49) has an average [credit score] of 650 and an average debt of $125,000.
6. 41% of millennials are "chronically stressed" about money.

Do you wish you had more control over your fiscal condition? There are a few simple steps you can take to begin getting your financial house in order.

1. **First, make a plan.** Put together a regular household budget that details how much money comes in each month and what you spend on necessities and other discretionary items (see the sample budget in this kit to start). This will make it easier to avoid spending more than you earn or running up more debt that you can manage. It can also identify areas where you need to cut back. The budget can serve as the blueprint for achieving your financial goals.

2. **Start saving now.** If you’re not already a regular saver, use your budget to determine how much you can set aside each month in savings and retirement accounts. Whether it’s for a long-term goal such as college or retirement or for your summer vacation, saving sooner rather than later allows you to build up more interest along the way. Get in the habit now and you’ll be very pleasantly surprised by the many options you’ll have open to you down the road.

3. **Get a handle on debt.** The average credit card debt for households with credit cards is around $16,700, according to the NerdWallet.com. Not only are those households likely facing years of monthly payments to pay off that debt, but they will also be paying hundreds or thousands of dollars of interest on their balances over time. If your household budget includes more debt than it should, there are a number of steps you can take. Instead of focusing on the minimum balance each month, think instead about the maximum you can realistically pay. Figure out which of your charge accounts carries the highest interest rate and plan to pay off that balance first. Many people would jump at the chance to earn 10 percent to 15 percent on an investment. If you pay off high-interest-rate credit cards that charge those rates, you will be putting that much money in your pocket. If possible, transfer your outstanding balances to lower-interest-rate accounts. To prevent your outstanding balances from growing, leave your credit cards at home when you shop and buy only what you can afford with cash.

4. **Seek opportunities to pay less.** Clip coupons and look for sales whenever possible. If you haven’t already done so, familiarize yourself with online sites that offer coupons for many popular retailers or feature group shopping deals. Although your savings on each item may be small, you’ll find yourself with more money in your bank account at the end of each month.

5. **Expand your knowledge.** The CPA profession’s 360 Degrees of Financial Literacy program (360financialliteracy.org) and its campaign with the Ad Council, Feed the Pig (feedthepig.org) feature a wealth of information on challenges that consumers may face. The sites are organized to provide advice to people in various life stages and situations. It helps users educate themselves about the issues they’re facing and provides practical tools you can use to better understand your own needs and options. You can also visit KnowWhatCounts.org (or like us on Facebook or follow us on Twitter) to get more money resources from the Oklahoma Society of CPAs. Want to really take control? Consider getting a free referral and free 30-minute consultation from an Oklahoma CPA at FindYourCPA.com.
CHAPTER ONE:
Taking Care of Your Family

You hear it often: Family first. Most of us would do anything to protect our families, but most families still struggle financially, and, unfortunately, those struggles can lead to much larger issues.

• According to the Federal Reserve, 47 percent of Americans would have trouble coming up with $400 in the event of an emergency (The Atlantic, May 2016).

• Nearly seven in 10 Americans have less than $1,000 in savings (USA Today, October 2016).

• Financial infidelity is not rare—a CreditCards.com survey found that 13 million Americans admit to keeping a bank account or credit card that a spouse doesn’t know about (Tulsa World, February 2017).

• A study by nonprofit Feeding America shows about one in four Oklahoma children lack consistent access to food (Oklahoma Watch, February 2017).

While some families face larger struggles than others, it’s important to get started and learn as much as possible.

In this chapter, you will learn ways to teach kids about money, tips for buying your teen’s car and adding him or her to your insurance, how to talk to aging parents about money and more.

This chapter is sponsored by Quail Creek Bank.

Quail Creek Bank, n.a., has been recognized as one of the Top Performing Banks in the nation by the Independent Community Bankers Association. We have also been given the Bauer Financial 5 Star Rating and #11 in the Top 50 Proven Performers by the Bank Directors Magazine. We attribute much of our success to being on the leading edge of technology that we have implemented in recent years. We have state-of-the-art mobile banking, Internet banking and all systems necessary to enhance our customers’ banking experience, whether in person or on the go! The dedication of our local ownership and management team is a true testament to our continued success. We invite you to visit our bank online or in person to experience the difference! We know you will enjoy our Quail Creek Bank family and our loyalty and support to our employees and customers! Learn more at www.QuailCreek.Bank.
6 Ways to Teach Kids About Sensible Spending

Have you talked to your children about the value of money and the importance of managing it wisely? All parents hope their children will grow up to make prudent use of their money, yet few actually spend time talking to them about how to accomplish these goals, a new study has found. According to the American Institute of CPAs, parents are more likely to have talked with their children about good manners, smart eating habits, the importance of good grades, the dangers of drugs and alcohol and the risks of smoking than about sensible spending. If you’re not sure how to get started, here’s some advice:

1. **Don’t wait.** Even young children are able to understand what it means to build—or save—toward a goal, such as a toy or trip to an amusement park, especially if such an item tops their wish list. Parents can help by encouraging their children to set aside money they receive for birthdays or holidays to save up for a special purchase. Older children can save money earned from afterschool or weekend jobs, and parents can give younger kids small jobs to help them earn money.

2. **Make it fun.** There are lots of apps available to help your kids learn the joy of earning, saving and spending. If you don’t want to use apps, help your children create colorful charts that monitor their progress or illustrate the chores they can do around the house to earn money. Suggest your child draw a picture of what he or she is saving for and use it to decorate the piggy bank or jar holding the savings.

3. **Turn it into a family project.** Talk to your children about the steps you take to save toward long-term goals or to cut down on your expenses. You can involve them by giving them a grocery list and asking them to find coupons for items on it. Take them to the store and comparison shop, even if you have a coupon. Figure out how much was saved and reward them with a portion of the savings.

4. **Understand their priorities.** Long-term objectives, such as saving for college, likely won’t mean as much to your child as more immediate goals, such as a new bike or the latest video game console. So, while it’s a good idea to show them their college savings account statement and discuss how and why you contribute to it, remember that they will get more excited about shorter-term rewards.

5. **Repeat often.** Dealing with financial issues is part of everyday life for adults, which means there are a lot of teachable moments available. Talk to your children about how you manage your money, including your efforts to save for short-term goals, like the family’s annual holiday budget, and long-term objectives, like college or retirement. Point out some of the ways you save money each day, such as bringing a brown-bag lunch to work or carpooling with coworkers. This kind of dialogue helps introduce them to good habits that will last a lifetime.

6. **Stand your ground.** Of course, your children won’t have much motivation to save if you buy them a toy whenever they ask or pull money out of your wallet whenever they want to meet friends for pizza. Although it can be hard to say no, keep in mind that by doing so, you are helping them learn how to budget and about the value of delayed gratification.

Beware Before You Buy: 6 Considerations for Kids’ Cell Phones

Have your kids started asking for cell phones or mobile devices of their own? Usage of mobile devices is growing among the younger set. According to a Pew Research study, 88 percent of U.S. teenagers between 13 and 17 have access to a mobile phone. Of those, 73 percent have their own smartphone. Also, almost 60 percent of children between the ages of 8 and 12 have their own phones.

The OSCPA offers the following advice for parents considering taking the plunge and getting a mobile device for their child.

**Decide whether your child is ready.**

Age is one thing to consider, but so is maturity level. Is your child up for the responsibility of owning a mobile device? A phone is a big obligation. Before making a purchase, it wouldn’t hurt to go over a few rules for owning a mobile device. You can make up your own rules or see a sample set at http://www.ahaparenting.com/Ages-stages/tweens/Cell-Phone-Rules-Safe-Responsible-Kids.

**Will you go with pre-paid or add a second line?**

There are many options available, but you should determine which would work best for your budget and your child’s needs. One option is to go with pre-paid service. With this type, you only pay for a certain amount of minutes at a time, but if your child uses the phone often, you might be bugged to pay for additional minutes. However, you also won’t have to worry about your child racking up extra charges on the monthly bill and there is no contract involved. If the child wants a phone with all the bells and whistles, then the phone prices are usually hefty because you pay the regular retail price. Another option is by adding another line to your account, it can be a more economical choice in order to get a phone with all of the features, plus you may be eligible for a family discount. These plans also offer discounts on phones.

**Should there be limits?**

Do you want to limit the amount of time your child can be on the phone? Going with a plan that has only a certain amount of minutes might be a good choice. However, if the child goes over the allotted minutes, fees can mount.
quickly, especially if you aren’t closely watching the usage. On the other hand, if you choose an unlimited plan, you aren’t likely to have any additional fees, but you’ll usually pay more for the plan each month.

**Is it all about the data?**

Besides talking, do you want your child to text and have internet access on their mobile device? A phone without data may save you some money, but most want to send and receive text messages. If you want your child to text or surf the web, you’ll need to consider a data plan, which can also be limited or unlimited depending on your preference. Unlimited plans generally cost more than plans that are limited.

**What about parental controls?**

Most major phone carriers have parental controls that can be purchased for an additional cost. While the features do vary for different providers, some allow you to view usage from a computer or mobile device. There is also a content filter available for browsing online and a GPS feature to locate your child. You can also limit contacts and block certain incoming messages. Certain mobile devices also have features within the phone that can be adjusted.

**Safety is key.**

A quick safety lesson is also not a bad idea. While we know it’s dangerous to text and drive, it’s also unsafe to text while walking and not paying attention to where you going. Unknown

callers or texts from strangers should be verified before responding and kids should be extremely careful about giving out their phone numbers. It also doesn’t hurt to remind them that they need to protect their phone by not dropping it or leaving it out where just anyone can have access. However, because kids will be kids, you may want to investigate device insurance through your carrier. For a monthly fee, you can often insure your device, but there are usually additional costs involved and, as with any insurance, there are limitations.

**Tips on Buying a Teen’s First Car**

A major milestone in a teen’s life is earning a driver’s license. It means freedom and fun for the teen, but it can certainly be a time of joy and/or panic for parents. If you have a newly licensed driver in the family, you may be discussing your families’ car situation and wondering if you need to add another set of wheels. Making a purchase of this size can be a great teachable moment for families on finances, responsibilities and smart choices.

**Check your budget.**

The driver’s test has been passed and it’s time to talk cars. Before sitting down to talk to your teen, take a look at your finances to see what fits your budget. Can you afford to add a monthly car payment? Do you have some spare money in savings to spring for an extra vehicle? What about the added expenses for insurance, gas and maintenance? This would be a great time to sit down with your CPA and discuss your finances.

**Know your options.**

If a car payment fits in your budget, do you want to buy a gently used or new car for your teen? Will he or she be able to contribute to the monthly payment, insurance and/or gas? What if your teen saved up some money for a car and you matched it? Have you thought about buying a car for yourself and giving the older car to your teen? If you go that route, at least you would know the car’s history and your teen would already be familiar with the car. If you decide to get a car and need a car loan, talk to your bank before looking at cars. You might get a better financing rate and it could be a bargaining chip to use in order to get the best rate available at the dealership.

**Have the talk.**

If you decide to purchase a car for your teen, sit down and discuss what is financially feasible for your family’s budget. Discuss payment, maintenance, insurance and consequences for tickets and other violations. When talking with your teen, remember that what he or she has in mind may be completely out of your price range or not the most dependable car model for a young person. It’s best to get on the same page before you step foot on a car lot.

**Know your stuff.**

Before going out in search of a new or used car, get an idea of what you are looking for and make a list of what you want on a car then do some research. Thanks to the Internet, you can look at cars on manufacturers’ websites and most local dealerships. In addition, you can look up government crash test ratings online at the National Highway Traffic Safety Administration’s website at SaferCar.gov or find top safety picks at the Insurance Institute for Highway Safety’s website at iihs.org. You can also find out what a good price would be on a car given it’s age, mileage and condition at Edmunds.com, kbb.com and others.

**Take a test drive.**

After you have narrowed down your car choices, head to the car lot to take the cars for a spin. Take your teen along so everyone will get a feel for the car. Be sure to test a few cars before making a final decision.

**It’s time for negotiations.**

After you do the research, take a test drive and find the one you like, you’re better equipped to negotiate a price. Don’t be afraid to ask for a better price or to walk away if you feel a deal can’t be made. You can look at other dealerships and find a reasonable price you are comfortable paying.
Adding a Teen to Auto Insurance? Be Prepared

If adding a young driver to your policy is in your future, you need to be ready for the added costs.

The Insurance Institute for Highway Safety Highway Loss Data Institute reports teen drivers crash three times more often than drivers 20 and older. The Oklahoma Highway Safety Office reported that in 2013, there were almost twice as many male as female drivers involved in fatal crashes. Additionally, OHSO reported 20.1 percent of drivers age 16-19 involved in serious injury motor vehicle crashes in 2013 were driving at an unsafe speed, 14.5 percent failed to yield and 11.6 percent were inattentive. It should be less surprising that, according to www.insurance.com, adding a teen to an auto policy in Oklahoma increases the price by 114 percent on average.

While policies vary based on a multitude of factors, financial experts advise being prepared for the unavoidable expense of a teen driver addition. However, there are ways to save some money on their protection.

1. **Ask for discounts.** Most insurance companies, especially those that have been insuring your family for years, will offer safe driver, multi-car and good grade discounts. There may be other discounts, but the key is to meet with your agent to find the discounts that work best for your family.

2. **Forgo the sports car.** All kids want to look cool to their friends, but insuring a sedan, especially one equipped with safety features like airbags, anti-lock brakes and daytime running lights, will likely cost much less than insuring a souped-up sports car. After narrowing down car choices, ask your agent to for an insurance quote on each model.

3. **Can you skip collision?** If your teen drives an older model car, it may be worth it to omit collision coverage because the cost of coverage may be more than the value of the car.

4. **Increase your deductible.** Increasing a deductible generally lowers premiums, but be sure the deductible is an amount you can afford to pay out of pocket should an accident occur.

5. **Let your teen borrow your car.** Insuring a teen to drive your car as an occasional operator could be cheaper than insuring your teen as a primary operator on another car.

6. **Monitor their driving.** Some insurance companies can install a device that monitors your teen’s driving habits and reports information (e.g., instances of speeding, seat belt usage, hard braking) back to the insurer. You can also purchase a device that does not report to your insurance provider. (See Consumer Reports “How to Track Your Teen Driver.”)

While it will likely increase a family’s premium, it’s important to discuss increasing liability coverage with your agent. This will provide added protection for the additional friends that will likely be riding as passengers while your teen is driving.

*If your teen drives an older model car, it may be worth it to omit collision coverage because the cost of coverage may be more than the value of the car.*
Protect Your Children Against Identity Theft

You are probably aware of your own risk of identity theft and maybe have taken some precautions to guard your own personal and financial data, but what about your minor children? Identity theft on a child can go on for years undiscovered. Experts say children represent an emerging market for identity theft thieves who steal their social security numbers knowing that these numbers may not be used for years. Most victims do not even know about it until they are young adults and find their credit rating compromised, or are rejected for student loans, jobs or from renting a place to live.

Researchers at Carnegie Mellon conducted a study on child identity theft and found that 10 percent of children are victims as compared with less than 1 percent of adults. They analyzed more than 800,000 records. The loud and clear message imparted at a recent identity theft conference sponsored by the Federal Trade Commission (FTC) is that this fraud has a systemic financial impact and we have an ethical, moral and legal duty to help our children have a future that they can create for themselves.

What are the warning signs that your child’s credit history may have been compromised?
- Your child is denied a bank account or a driver’s license
- Credit card and loan offers addressed to your child
- Collection calls or bills addressed to your child
- A notice from the IRS that your child owes income taxes or was claimed as a dependent on another return

What you can do before and after a possible data breach?
- Check your child’s credit history. There are three recognized companies that can assist with this process:
  1. Equifax (1-800-525-6285)
  2. Experian (1-866-200-6020)
  3. TransUnion (childidtheft@transunion.com)

How can you repair the damage?
- Contact the credit reporting company and ask them to remove any files that have your child’s social security number listed.
- Place a fraud alert with the applicable entity on the credit report.
- File a fraud report with the FTC on line or call 877-438-4338.

Use these steps for prevention and protection:
- Find a safe location for papers and electronic records.
- Cross shred documents with personal information.
- Don’t share your child’s SSN unless you know and trust the other party.
- Ask at your child’s school or medical office how your child’s information is collected, stored, used and thrown away.
- Be aware of events that may put information at risk like a break in at your child’s school, doctor’s office or in your home.
- Before your child turns 16 get a credit report. If there are errors due to fraud, you will have time to correct before your child applies for a job, a loan for tuition or needs to rent an apartment.
- Teach your children to keep personal information private when they are online. Social networking sites can be a goldmine for identity theft thieves.

Any taxpayer who believes they are at risk of identity theft due to lost or stolen personal information should contact the IRS immediately so the agency can take action to secure their tax account. The taxpayer should contact the IRS Identity Protection Specialized Unit at 800-908-4490 Ext. 245. The taxpayer will be asked to complete the IRS Identity Theft Affidavit, Form 14039, and follow the instructions on the back of the form based on their situation.

The IRS has issued guidance for actual or potential identity theft, phone scam and phishing victims.
- Taxpayer Guide to Identity Theft
- Publication 5027, Identity Theft Information for Taxpayers (PDF)
- Data Breach: Tax-Related Information
- Requesting Copy of Fraudulent Return
- Publication 4524, Security Awareness For Taxpayers (PDF)
- Identity Theft Victim Assistance: How It Works

Access these resources at irs.gov/identitytheft.
How Do I Talk to My Aging Parents About Finances?

Caring for your aging parents is something you hope you can handle when the time comes, but it’s the last thing you want to think about. Whether the time is now or somewhere down the road, there are steps you can take to make your life (and theirs) a little easier. Some people live their entire lives with little or no assistance from family and friends, but today Americans are living longer than ever before. It’s always better to be prepared.

Start the conversation.

The first step you need to take is talking to your parents. Find out what their needs and wishes are. In some cases, however, they may be unwilling or unable to talk about their future. This can happen for a number of reasons, including:

• Incapacity;
• Fear of becoming dependent;
• Resentment toward you for interfering; and/or
• Reluctance to burden you with their problems.

If such is the case with your parents, you may need to do as much planning as you can without them. If their safety or health is in danger, however, you may need to step in as caregiver. The bottom line is that you need to have a plan. If you’re nervous about talking to your parents, make a list of topics that you need to discuss. That way, you’ll be less likely to forget anything. Here are some things that you may need to talk about:

• Long-term care insurance: Do they have it? If not, should they buy it?
• Living arrangements: Can they still live alone, or is it time to explore other options?
• Medical care decisions: What are their wishes, and who will carry them out?
• Financial planning: How can you protect their assets?
• Estate planning: Do they have all of the necessary documents (e.g., wills, trusts)?
• Expectations: What do you expect from your parents, and what do they expect from you?

Prepare a personal data record.

Once you’ve opened the lines of communication, your next step is to prepare a personal data record. This document lists information that you might need in case your parents become incapacitated or die. Here’s some information that should be included:

• Financial information: Bank accounts, investment accounts, real estate holdings;
• Legal information: Wills, durable power of attorneys, health-care directives;
• Funeral and burial plans: Prepayment information, final wishes;
• Medical information: Health-care providers, medication, medical history;
• Insurance information: Policy numbers, company names;
• Advisor information: Names and phone numbers of any professional service providers; and
• Location of other important records: Keys to safe-deposit boxes, real estate deeds.

Be sure to write down the location of documents and any relevant account numbers. It’s a good idea to make copies of all of the documents you’ve gathered and keep them in a safe place. This is especially important if you live far away, because you’ll want the information readily available in the event of an emergency.

Evaluate your parents’ abilities.

If you’re concerned about your parents’ mental or physical capabilities, ask their doctor(s) to recommend a facility for a geriatric assessment. These assessments can be done at hospitals or clinics. The evaluation determines your parents’ capabilities for day-to-day activities (e.g., cooking, housework, personal hygiene, taking medications, making phone calls). The facility can then refer you and your parents to organizations that provide support. If you can’t be there to care for your parents, or if you just need some guidance to oversee your parents’ care, a geriatric care manager (GCM) can also help. Typically, GCMs are nurses or social workers with experience in geriatric care. They can assess your parents’ ability to live on their own, coordinate round-the-clock care if necessary, or recommend home health care and other agencies that can help your parents remain independent.

Get support and advice.

Don’t try to care for your parents alone. Many local and national caregiver support groups and community services are available to help you cope with caring for your aging parents. If you don’t know where to find help, contact your state’s department of eldercare services. Or, call (800) 677-1116 to reach the Eldercare Locator, an information and referral service sponsored by the federal government that can direct you to resources available nationally or in your area. Some of the services available in your community may include:

• Caregiver support groups and training;
• Adult day care;
• Respite care;
• Guidelines on how to choose a nursing home; and/or
• Free or low-cost legal advice.

Once you’ve gathered all of the necessary information, you may find some gaps. Perhaps your mother doesn’t have a health-care directive or her will is outdated. You may wish to consult an attorney or other financial professional whose advice both you and your parents can trust.

About Finances?

How Do I Talk to My Aging Parents
4 Ways to Shop Smarter for Sudden Back-to-school Items

Parents may learn that the first month of school is full of additional expenses that weren’t originally in the budget. Here are tips to getting better bargains on unexpected items.

1. Evaluate the need. Students often come home with the urge to have the latest gadgets they saw at school. True, a tablet, smartphone or laptop could be very helpful, especially for older students, in completing homework assignments, especially if downloading digital copies of books for required reading is an option. However, before giving in, it’s probably best to have a realistic discussion about wants, needs and the family budget. The same is true for popular clothing, and, for older students, this is a perfect teaching moment for prioritizing their allowances.

2. Comparison shop. While it seems like a no-brainer, even the most educated shoppers can be tempted to go ahead and purchase the desired items because they’re already in their preferred store. Yet spending a little time online doing some research can save quite a bit of cash, specifically on big-ticket items. Also, consider waiting until September or October, when all the back-to-school items may move to clearance racks. Want even bigger savings? See if it’s possible to wait until Black Friday or Cyber Monday sales.

3. Consider going green. If popular technology is on the list and it is needed quickly, look into refurbished gadgets. Most online tech retailers offer refurbished items that are still under warranty. If vogue clothes made the list of must-haves, take a trip to a few consignment stores before forking out full price. The bonus of living in a warmer state like Oklahoma is that summer clothing is marked down early, but can usually still be comfortably worn right up to the middle of October.

4. Go for quality. Making quality your priority can ultimately save you more money. Consider popular character backpacks or clothing. Purchasing a quality backpack ensures your child can use it throughout the school year and clothing, as every parent knows, must be durable to withstand the wear and tear of active kids. If they want to express their individuality, let them decorate backpacks with stickers or look for ways to sew fun patches on clothing.

Other ways parents can save money include making sack lunches, having neighborhood clothing swaps every few months and keeping up with sales and special offers. As with any shopping venture, back-to-school requires planning, even when it happens after the first bell rings. However, parents can use this and other sudden spending events as teachable moments because not all learning happens in the classroom.

Consider waiting until September or October to purchase back-to-school items, which may move to clearance racks by that time.
4 Things to Know About Oklahoma’s Sales Tax Holiday

The weekend of August 4-6*, Oklahoma will celebrate its sales tax holiday. Senate Bill 861, passed in 2007, sets out to benefit both consumers and retailers in the state by providing sales tax exempt shopping on general clothing items. This will help businesses by providing a boost in sales and the consumers by allowing them to save money when shopping for clothing and shoes. It is also intended to coincide with back-to-school shopping. For 2017, the holiday begins at 12:01 am on Friday, August 4, and ends at midnight on Sunday, August 6. Here are four things you need to know about it:

1. **How many retailers participate?** Anywhere you can go to buy qualifying clothes and shoes will be participating. The Oklahoma Tax Commission says retailers may not collect state and local sales or use tax on tax exempt items (see a partial list of qualified and unqualified purchases at https://www.ok.gov/tax/faqs.html#q2232).

2. **Understand online shopping rules.** According to the SB 861, “Eligible items sold to purchasers by mail, telephone, email or internet shall qualify for the sales tax exemption if the customer orders and pays for the item and the retailer accepts the order during the exemption period for immediate shipment, even if delivery is made after the exemption period.”

3. **How can you exchange merchandise?** It comes down to returns and exchanges. If you purchase an item and exchange it for the same item in a different size or color variation, you won’t have to pay the tax, even after the sales tax holiday. If you return an item for credit or exchange an item for a different one after the tax-free weekend, you will be charged tax. Lastly, if you purchase an item before the tax-free weekend, and return it during the sales tax holiday and receive credit on the purchase of a different eligible item, no sales tax is due on the sale of a new item. However, do be sure you know the store’s return and exchange policy before you shop.

4. **There is a $100 maximum.** There is a $100 cap on eligible merchandise, meaning if an item is less than $100, it is sales tax exempt during the sales tax holiday. Items can be taxed if their individual costs exceed $100. The good news is, most stores are running sales in conjunction with the sales tax holiday. You are also able to use coupons and take advantage of buy one, get one sales on top of the tax savings, so you could save quite a bit.

Having a plan and understanding the law for the sales tax holiday can save you a lot of time and money. Shopping online isn’t a bad option if braving the mall crowds overwhelms you. CPAs note, however, the sales tax holiday and simultaneous back-to-school sales should never be a reason to overspend or go into credit card debt. It’s not much of a sale if you save sales tax, but then turn around and pay 10 to 20 percent interest on your credit card.

*As of January 2017

4 Tips to Resolve Financial Concerns in Stepfamilies

According to the Stepfamily Foundation, 64 percent of families today live in some form of divorced and/or stepfamily relationship. These blended families have an opportunity to launch new relationships and traditions, but they often face pitfalls where finances are concerned. The Oklahoma Society of Certified Public Accountants provides these four tips for issues within stepfamilies and how to address them.

1. **Define types of accounts.** One challenge for stepfamilies can be deciding how to split finances into “yours,” “mine” or “ours.” Many remarrying couples often start out with separate accounts, which are used to pay for personal expenses, including those for any children from a previous marriage. Remarrying couples may also maintain a joint account for ongoing expenses as a couple, contributing either an equal amount every month or a percentage of each spouse’s income. Any combination of accounts can work, but spouses should be sure to clarify the ground rules up front to avoid confusion. Couples should determine how much each person will deposit in certain accounts monthly and define what expenses specific accounts cover. Because financial circumstances change, couples should consider revisiting this arrangement regularly to ensure an approach that best serves their needs. This kind of ongoing communication will help prevent misunderstandings later. It’s especially important to budget and maintain clear and updated records that include all accounts. That way, the couple can easily see where they stand financially.

2. **Review and update documents.** After remarrying, the beneficiaries named for life insurance and various financial accounts should be reviewed. Remarrying couples should create or update a durable power of attorney, living will or a healthcare proxy to designate a person to make decisions in case of incapacity.

3. **Revise your will.** Inheritance issues can leave children and spouses anxious about their financial futures. As a result, it’s best for a newly remarried couple to have wills and revise existing wills after the wedding in order to address important
What If I Have a Special Needs Child?

As the parent of a child with special needs, you face many of the same challenges that other parents face. But you'll have to cope with some unique issues as well. The term “special needs” is often used to describe a wide variety of conditions and may mean different things to different people. For example, special needs can include medical conditions such as cerebral palsy. It can mean physical conditions, such as blindness or the loss of a limb. It can also mean neurological conditions, such as learning disabilities, mental retardation, or autism. Getting reliable information and support is important when you have a child with special needs. Start by talking to:

- Your obstetrician, pediatrician, and primary physician;
- Social workers familiar with federal, state, and community resources;
- Mental health professionals (e.g., psychologists and counselors);
- Parents of other children with special needs;
- Members of a community or on-line support group;
- Individuals within your local school systems (e.g., the superintendent, the principal, guidance counselors, and special education teachers)

You'll also want to find out what support programs and services are available in your community. Community volunteer agencies and parent groups can also counsel and educate you about the challenges of raising a child who has special needs. Your local United Way, as well as other nonprofit agencies, may have programs to help you care for your child. Sports events and recreational camps are often sponsored by both local and national organizations and can give your child a chance to interact with others while having fun.

Many national organizations exist for special needs information and advocacy. These groups often have local chapters you can join that may sponsor support groups. In addition, the Internet has become a leading source of information and support for parents of children with special needs. On-line sites offer both general and technical information and can connect you to informal and formal resources.

How do I find and pay for medical care?

Because of his or her special needs, your child may need expert medical care. Learning all you can about your child's condition and treatment options, finding ways to handle health care costs and organizing paperwork can cut down on the stress that inevitably accompanies frequent visits to health care providers. Here are some tips:

- Choose a qualified physician who responds to your child's needs, is knowledgeable about your child's condition and who explains treatment options thoroughly;
- Read your health insurance policy and find out what it does and does not cover;
- Apply for Medicaid if your child is eligible for it (in most states, your child will automatically qualify for Medicaid if he or she meets the Supplemental Security Income (SSI) requirements or lives in a residential care environment);
- Join support groups affiliated with a national organization focused on your child's disability or condition;
- Subscribe to publications that can alert you to new treatments, prescription drugs and research that may benefit your child;
- Keep copies of treatment records, correspondence with your insurance company and supporting documentation; and
- Draft letters that you can keep on file with child-care centers, the school nurse, babysitters or family members that describe your child's medical needs and what to do in case of emergency.

How do I deal with educational issues?

Federal and state special education laws, as well as the Americans with Disabilities Act, require public schools to accept children with disabilities and take whatever steps are necessary to meet their special needs. For example, bathrooms, hallways and other physical facilities must be designed to accommodate wheelchairs. In addition, a public school may have to create special programs, revise its policies and curriculum and offer counseling and other services to disabled students. All states must provide a “free and appropriate public education” to eligible children with disabilities. Have your child evaluated by your state and local school district to find out if he or she is eligible for special education services, including early intervention services starting in infancy or in preschool.

(Cont. on 12)
**Ensure your child’s future.**

As the parent of a child with special needs, you’ll want to find ways to protect your child’s inheritance and ensure that he or she is taken care of when you die. If your child is a minor (under the age of majority, which is 18 in most states) or an adult who is unable to make decisions related to his or her own long-term welfare, your first step should be to name a guardian (e.g., a friend, relative or legal professional) in your will. After your death, this guardian will offer advice and make decisions for your child, manage his or her assets and oversee his or her care after your death. Choose a guardian carefully. He or she should be someone who has your child’s best interests at heart.

In order to be eligible for most government benefits (e.g., SSI, Medicaid), your child must have minimal income and assets. If you plan on leaving your child significant assets, you could put his or her eligibility for these benefits at risk. However, you can leave money to your child without risking his or her eligibility for government benefits by establishing a special needs trust to hold funds that your child might otherwise inherit directly upon your death. Funds in a properly drafted special needs trust are not considered “countable” for SSI and Medicaid eligibility purposes. A special needs trust is a complex estate planning tool, so it’s best to consult an experienced estate planning attorney.

---

**5 Things to Know About HSAs**

During open enrollment season, it’s not uncommon to hear lots of insurance-related acronyms being tossed around: PPO, HSA, HDHP, FSA, LTD, AE, etc. It’s easy to get confused! But one of those acronyms, the HSA, or health savings account, can be a powerful way for you to save on taxes and possibly provide an alternate way to save for retirement.

Nearly three-fourths—72%—of employers offer plans that include an HSA component and the lower premium plans on the healthcare exchange are also HSA-eligible plans. Here are some facts about HSAs from the American Institute of Certified Public Accountants (AICPA) and the Oklahoma Society of Certified Public Accountants (OSCPA) to help you decide if that’s the right choice for you.

1. **HSAs are basically savings accounts.** You can save money for your out-of-pocket health care costs. Plus, the money goes in tax-free and comes out tax-free, as long as it’s spent on qualified health care costs.

2. **They’re different from FSAs.** They’re not “use it or lose it.” You can roll over money year after year. There’s no limit to how much you can save. And if you leave your job or retire, the account goes with you.

3. **You must be enrolled in a health insurance plan.** In order to deposit money, you’ll need a health insurance plan with a high deductible. The IRS defines “high deductible” as $1,300 for single coverage and $2,600 for family coverage. That means your initial health expenses each year will be at 100 percent out-of-pocket, no copays, until you’ve reached your deductible.

4. **You can spend it on you or anyone else on your tax return.** Once money is deposited into your HSA, you can spend it on any eligible health care expenses for you or anyone else on your tax return (dependent or spouse), regardless of whether that person is on your insurance. You can even use it later on in life when you may not be enrolled in a high-deductible health plan.

5. **You may be eligible to get free money.** Your job may deposit money into your HSA to help offset your health care costs, which is basically free money (especially if you don’t spend much because you don’t have a lot of health care expenses).

For people who rarely go to the doctor outside of preventive care visits (which are covered 100 percent on all health insurance plans by law), an HSA health insurance plan can be a great way to save money on premiums while also allowing you to save taxes on money you set aside for the times you do have expenses, both now and in the future. Talk to your HR department to find out what options are available and consult with your CPA to discuss the best financial options for you and your family. For a free referral and free 30-minute consultation with a CPA, visit www.FindYourCPA.com.
5 Steps to Boost Your Home’s Value

More than 5.7 million homes were sold in 2015, according to the National Association of Realtors. For many people, a home is not only the place to make memories, but also their largest asset. If you’re planning on putting a house on the market, you’ll want to get the best price for it. Here are five steps to enhance a home’s value.

1. **Consider curb appeal.** Most buyers make an immediate assessment about a home based on its front yard and entryway. Since you want to encourage potential buyers to come in, be sure to make the house look welcoming as possible. Mow the lawn, prune the shrubs and banish weeds before your home is shown. Consider power washing the exterior paint job, repainting your front door, polishing up hardware and fixing any exterior lights to add to the home’s aesthetics.

2. **Combat clutter.** Moving involves sorting through possessions and deciding whether to bring them to your next home, put them in storage or get rid of them. Start the process as early as possible to prevent a messy or cluttered house from turning away potential buyers. Organize closets, attics and basements so buyers can clearly see how much space is available. Consider removing items that personalize the home — anything from family photos to hot pink throw pillows — so buyers can picture themselves living there.

3. **Conquer the kitchen and bath.** Whether cooking a favorite meal or sharing thoughts at the kitchen table, much time is spent in the kitchen. According to Consumer Reports, 53 percent of real estate professionals identified the kitchen as one of the more important rooms to shape up before selling. Drastic renovations aren’t necessary, but all minor repairs — such as a leaky faucet or broken backsplash tile — are a must before the for-sale sign goes in the yard. Simple, cosmetic improvements — such as a fresh paint job or new energy-efficient lighting — are also beneficial when upgrading the room’s look. Take similar steps to update a bathroom, where a new showerhead, faucet or floor tiles could make a more positive impact.

4. **Burnish the basics.** Although there are many inexpensive steps to raise a home’s value, major upgrades to problem areas could be necessary to attract buyers and sell at the highest price. It’s best to handle more expensive problems — such as leaking roofs, wiring problems, aging furnaces or hot water heaters — before your house goes on the market.

5. **Accentuate the positive.** A National Association of Realtors survey found nearly 40 percent of homebuyers would pay more for a home if it had at least one fireplace. A wooden deck or attractive front porch can also make a home more appealing. Before selling, accentuate the most attractive parts of your home and add value to the sale. If the fireplace needs updating or the porch could use a paint job, invest in your home’s assets to distinguish your home.

According to Consumer Reports, 53 percent of real estate professionals identified the kitchen as one of the more important rooms to shape up before selling.
Although higher education is one of the best investments a person can make, it can be quite costly.

- Since 1990, average in-state tuition at public colleges has more than quintupled and the cost of living on campus has more than tripled (Time.com/Money, October 2016).

- While tuition, fees, room and board at public universities has risen by almost $15,000 since 1990, the average amount of grants or scholarships awarded to undergraduates from all sources has risen only about $5,000, which essentially puts an extra $10,000 per year burden on the typical college student (Time.com/Money, October 2016).

- The average Class of 2016 graduate has $37,172 in student loan debt, up 6 percent from 2015 (StudentLoanHero.com, February 2017).

In this chapter, you will learn steps to picking the right college, financial aid application basics, college student money management tips, advice for paying back student loans and more.

Research Tips When Choosing a College

It seems like only yesterday you were bandaging scraped knees and waving at the school bus, and now it’s time for your child to choose a college. You may think a hands-off approach is best to avoid interfering, but it’s important to help your child research schools. Not only will you be able to offer guidance and suggestions, but you’ll likely have your own issues to consider (cost, for one). Although your child will also have his or her own agenda, you can make sure that the final wish list is something you both agree on by collaborating.

When should you start researching colleges?
Most students start investigating colleges in their junior year of high school, though you can certainly start earlier if you want to. Beginning the search a full year before your child needs to apply to college should allow plenty of time to compare schools and help you feel in control of the process. Remember, your child will be spending the next four years at this college—you’ll want to take the time to find a good match. You don’t want your child picking a school solely because his or her best friend is applying there.

Where can you find this information?
Years ago, college guidebooks were the only source of information about schools. Now, there’s the Internet, too. Both are valuable research tools. College guidebooks are available at all major bookstores and your local library. The best ones describe and compare colleges down to the smallest details. Ask your local reference librarian or your child’s high school guidance counselor to recommend a resource. As for the Internet, most colleges have websites where you and your child can conduct research and even take a virtual tour of the campus. In addition, other education-related websites provide general information on selecting a college and college life. To get started, type your search query in one of the many search engines. Keep in mind, some websites may not be as reliable as others.

The goal of your research is to create a list of colleges that match up well with your child’s interests and abilities (and your pocketbook).

Look at the big picture.
The logical place to begin a college search is with general criteria like size, geographic region and location (i.e., rural, suburb, city). These are all factors on which most students have a keen opinion. Talk to your child about the type of college environment that he or she prefers.

Make the grade.
Next, consider academic factors. If your child knows his or her major, make sure to note that program’s availability and strength. This criterion alone may supersede any general criteria in importance. You’ll also want to look at the median grade point average and SAT scores of the most recent class. This information will give you an idea of your child’s chances for admission. Do your child’s academic accomplishments place him or her in the top 5 percent of the class, 25 percent, 50 percent or 75 percent? Keep in mind that highly selective colleges usually accept only those students at the very top of the applicant pool. College guidebooks can verify the competitiveness of any particular college. It’s important to be realistic about your child’s admission chances. Other academic factors to consider include:

• Overall course requirements for graduation;
• Opportunity to earn a double major or to switch majors (especially important if your child doesn’t know his or her major);
• Average class size;
• Availability of faculty outside teaching hours; and
• Use of graduate-level teaching assistants for undergraduate courses.

Take care of your wallet.
It’s likely you’ll be more interested in financial factors than your child will be. In fact, your own financial constraints may limit your child’s ultimate choice of colleges. It’s important to evaluate colleges from a financial standpoint during the research process so there won’t be any surprises down the road.

First, ask yourself whether the college provides an overall good education for the price. Remember, tuition is not the only cost. Your child will need money for room and board, books and supplies, transportation, and other miscellaneous fees. This combined cost is known as the cost of attendance. Compare the cost of attendance at colleges that interest your child. Next, see whether the college offers any special cost-cutting measures. For example, is there a flexible tuition payment plan that lets you spread costs over 10 or 12 months? Is there a three-year degree program? Is there a five-year joint graduate/undergraduate degree program? Does the school offer a tuition discount for siblings or alumni or an opportunity to take courses on-line?

You’ll also want to examine the college’s record on financial aid. What percentage of students receive need-based financial aid? Of these, what percentage of students have 100 percent of their need met? If costs are a main concern, you’ll want to target those colleges that consistently meet a high percentage of their students’ financial needs. This statistic is readily available from college guidebooks. You might also ask what percentage of students take advantage of work-study programs. Does every student who requests a work-study assignment get one? Also, does the college offer merit aid (not based on financial need) for academic, athletic, musical or other abilities? If so, who should be contacted?

While you’re in the financial arena, now may be a good time to discuss any related concerns with your child. For example, will you expect your child to contribute to his or her education? With savings? With student loans? And how much? It’s important for your child to have an awareness of the financial implications (for you and for him or her) of choosing a college.

One final note: Even if a college’s sticker price is daunting, your child should consider applying if the college is otherwise a good fit. Remember, the college may award your child a generous financial aid package that may translate into a lower actual out-of-pocket cost for you over four years, compared with a less expensive school on your child’s list that didn’t offer as generous an aid package. However, you’ll need to set a financial limit on what you can afford to pay before the acceptance letters start arriving—it’s hard to resist the lure of having your child accept a slot at a prestigious university, even if it means overextending yourself financially.

Think about quality of life.
Beyond the general, academic and financial factors, you and your child will want to consider factors that relate to quality of life. Here are some questions to think about:

• Would your child prefer an active campus, with a wide variety of clubs, social

(Cont. on 16)
organizations, athletics and extracurricular activities, or a quieter campus?
- What is the condition of the dorms, dining halls, student union, library and recreation center?
- Are there any special housing requirements (e.g., students must live off-campus for a year)?
- Have you and your child researched the college's crime statistics (available at the United States Department of Education's website) and the safety of the surrounding neighborhood?
- Does the college offer free van or bus service around the campus? If so, is transportation provided late at night?

529 Plans and Financial Aid Eligibility

If you’re thinking about joining a 529 plan or if you’ve already opened an account, you might be concerned about how 529 funds will affect your child’s chances of receiving financial aid. Of all the areas related to 529 plans, financial aid is perhaps the most uncertain and the one most likely to change in the future.

First, why should you be concerned?
The financial aid process is all about assessing what a family can afford to pay for college and trying to fill the gap. To do this, the institutions that offer financial aid examine a family’s income and assets to determine how much a family should be expected to contribute before receiving financial aid. Financial aid formulas weigh assets differently, depending on whether they are owned by the parent or the child. So, it’s important to know how your college savings plan account or your prepaid tuition plan account will be classified, because this will affect the amount of your child’s financial aid award.

Understand financial aid basics.
Financial aid is money given to a student to help that student pay for college or graduate school. This money can consist of one or more of the following:
- A loan (which must be repaid in the future);
- A grant (which doesn’t need to be repaid);
- A scholarship; and
- A work-study job (where the student gets a part-time job either on campus or in the community and earns money for tuition).

The typical financial aid package contains all of these types of aid. Obviously, grants are more favorable than loans because they don’t need to be repaid. However, over the past few decades, the percentage of loans in the average aid package has been steadily increasing, while the percentage of grants has been steadily decreasing. This trend puts into perspective what qualifying for more financial aid can mean. There are no guarantees that a larger financial aid award will consist of favorable grants and scholarships—your child may simply get (and have to pay back) more loans.

The two main sources of financial aid are the federal government and colleges. In determining a student’s financial need, the federal government uses a formula known as the federal methodology, while colleges use a formula known as the institutional methodology. The treatment of your 529 plan may differ, depending on the formula used.

How is your child’s financial need determined?
Though the federal government and colleges use different formulas to assess financial need, the basic process is the same. You and your child fill out a financial aid application by listing your current assets and income (exactly what assets must be listed will depend on the formula used). The federal application is known as the FAFSA (Free Application for Federal Student Aid). Colleges generally use an application known as the PROFILE.

Your family’s asset and income information is run through a specific formula to determine your expected family contribution (EFC). The EFC represents the amount of money that your family is considered to have available to put toward college costs for that year. The federal government uses its EFC figure in distributing federal aid and a college uses its EFC figure in distributing its own private aid. The difference between your EFC and the cost of attendance (COA) at your child’s college equals your child’s financial need. The COA generally includes tuition, fees, room and board, books, supplies, transportation and personal expenses. It’s important to remember that the amount of your child’s financial need will vary, depending on the cost of a particular school.

The results of your FAFSA are sent to every college that your child applies to. Every college
that accepts a student will then attempt to craft a financial aid package to meet that student’s financial need. In addition to the federal EFC figure, the college has its own EFC figure to work with. Eventually, the financial aid administrator will create an aid package made up of loans, grants, scholarships and work-study jobs. Some of the aid will be from federal programs (e.g., Stafford Loan, Perkins Loan, Pell Grant), and the rest will be from the college’s own endowment funds. Keep in mind that colleges aren’t obligated to meet all of your child’s financial need. If they don’t, you’re responsible for the shortfall.

How do 529 plans affect the federal methodology?
Under the federal methodology, 529 plans—both college savings plans and prepaid tuition plans—are considered an asset of the parent, if the parent is the account owner. So, if you’re the parent and the account owner of a 529 plan, you must list the value of the account as an asset on the FAFSA. Under the federal formula, a parent’s assets are assessed (or counted) at a rate of no more than 5.6 percent. This means that every year, the federal government treats 5.6 percent of a parent’s assets as available to help pay college costs. By contrast, student assets are currently assessed at a rate of 20 percent.

There are a few points to keep in mind regarding the classification of 529 plans as a parental asset:

- A parent is required to list a 529 plan as an asset only if he or she is the account owner of the plan. If a grandparent, other relative, or friend is the account owner, then the 529 plan doesn’t need to be listed on the FAFSA.
- However, any student-owned or UTMA/UGMA-owned 529 account is reported as a parental asset if the student files the FAFSA as a dependent student. A 529 account is considered an UTMA/UGMA-owned account when UTMA/UGMA assets are transferred to a 529 account.
- If your adjusted gross income is less than $50,000 and you meet a few other requirements, the federal government doesn’t count any of your assets in determining your EFC. So, your 529 plan wouldn’t affect financial aid eligibility at all.

How do other college savings options fare under the federal system?
Coverdell education savings accounts, mutual funds and U.S. savings bonds (e.g., Series EE and Series I) owned by a parent are considered parental assets and counted at a rate of 5.6 percent. However, UTMA/UGMA custodial accounts and trusts are considered student assets. Under the federal methodology, student assets are assessed at a rate of 20 percent in calculating the EFC.

The federal government excludes some assets entirely from consideration in the financial aid process. These assets include all retirement accounts (e.g., traditional IRAs, Roth IRAs, employer-sponsored retirement plans), cash value life insurance, home equity and annuities.

How do institutions work with 529 plans?
When distributing aid from their own endowment funds, colleges aren’t required to use the federal methodology. As noted, most colleges use the PROFILE application (a few colleges use their own individual application). Generally speaking, the PROFILE digs a bit deeper into your family finances than the FAFSA. Regarding 529 plans, the PROFILE treats both college savings plans and prepaid tuition plans as a parental asset. And once funds are withdrawn, colleges generally treat the entire amount (contributions plus earnings) from either type of plan as student income.

Note: Investors should consider investment objectives, risks, charges and expenses associated with 529 plans before investing. Learn more about the Oklahoma 529 College Savings Plan at www.ok4saving.org.

The sooner you begin using a 529 plan to save for college, the greater your chances are to build tax-free interest and dividends over time.
Saving for Retirement and a Child’s Education at the Same Time

You want to retire comfortably when the time comes. You also want to help your child go to college. So how do you juggle the two? The truth is, saving for your retirement and your child’s education at the same time can be a challenge. But take heart—you may be able to reach both goals if you make some smart choices now.

Know your financial needs.
The first step is to determine what your financial needs are for each goal. Answering the following questions can help you get started:

For retirement:

- How many years until you retire?
- Does your company offer an employer-sponsored retirement plan or a pension plan? Do you participate? If so, what’s your balance? Can you estimate what your balance will be when you retire?
- How much do you expect to receive in Social Security benefits? (You can estimate this amount by using your Personal Earnings and Benefit Statement, from the Social Security Administration, www.ssa.gov.)
- What standard of living do you hope to have in retirement? For example, do you want to travel extensively, or will you be happy to stay in one place and live more simply?
- Do you or your spouse expect to work part-time in retirement?

For college:

- How many years until your child starts college?
- Will your child attend a public or private college? What’s the expected cost?
- Do you have more than one child for whom you’ll be saving?
- Does your child have any special academic, athletic or artistic skills that could lead to a scholarship?
- Do you expect your child to qualify for financial aid?

Many on-line calculators are available to help you predict your retirement income needs and your child’s college funding needs.

Figure out what you can afford to put aside each month.

After you know what your financial needs are, the next step is to determine what you can afford to put aside each month. To do so, you’ll need to prepare a detailed family budget that lists all of your income and expenses. Keep in mind, though, that the amount you can afford may change from time to time as your circumstances change. Once you’ve come up with a dollar amount, you’ll need to decide how to divvy up your funds.

Retirement takes priority.

Though college is certainly an important goal, you should probably focus on your retirement if you have limited funds. With generous corporate pensions mostly a thing of the past, the burden is primarily on you to fund your retirement. But if you wait until your child is in college to start saving, you’ll miss out on years of tax-deferred growth and compounding of your money. Remember, your child can always attend college by taking out loans (or maybe even with scholarships), but there’s no such thing as a retirement loan!

If possible, save for your retirement and your child’s college at the same time.

Ideally, you’ll want to try to pursue both goals at the same time. The more money you can squirrel away for college bills now, the less money you or your child will need to borrow later. Even if you can allocate only a small amount to your child’s college fund, say $50 or $100 a month, you might be surprised at how much you can accumulate over many years. For example, if you saved $100 every month and earned 8 percent, you’d have $18,415 in your child’s college fund after 10 years. (This example is for illustrative purposes only and does not represent a specific investment.)

If you’re unsure how to allocate your funds between retirement and college, a professional financial planner may be able to help you. This person can also help you select the best investments for each goal. Remember, just because you’re pursuing both goals at the same time doesn’t necessarily mean that the same investments will be appropriate. Each goal should be treated independently.

Help! I can’t meet both goals!

If the numbers say that you can’t afford to educate your child or retire with the lifestyle you expected, you’ll have to make some sacrifices. Here are some things you can do:

- Defer retirement: The longer you work, the more money you’ll earn and the later you’ll need to dip into your retirement savings.
- Work part-time during retirement.
- Reduce your standard of living now or in retirement: You might be able to adjust your spending habits now in order to have money later. Or, you may want to consider cutting back in retirement.
- Increase your earnings now: You might consider increasing your hours at your current job, finding another job with better pay, taking a second job or having a previously stay-at-home spouse return to the workforce.
- Invest more aggressively: If you have several years until retirement or college, you might be able to earn more money by investing more aggressively (but remember that aggressive investments mean a greater risk of loss).
- Expect your child to contribute more money to college: Despite your best efforts, your child may need to take out student loans or work part-time to earn money for college.
- Send your child to a less expensive school: You may have dreamed your child would follow in your footsteps and attend an Ivy League school. However, unless your child is awarded a scholarship, you may need to lower your expectations. Don’t feel guilty—a lesser-known liberal arts college or a state university may provide your child with a similar quality education at a far lower cost.
- Think of other creative ways to reduce education costs: Your child could attend a local college and live at home to save on room and board, enroll in
an accelerated program to graduate in three years instead of four, take advantage of a cooperative education where paid internships alternate with course work or defer college for a year or two and work to earn money for college.

Can retirement accounts be used to save for college?
Yes. Should they be? Probably not. Most financial planners discourage paying for college with funds from a retirement account. They also discourage using retirement funds for a child’s college education if doing so will leave you with no funds in your retirement years. However, you can certainly tap your retirement accounts to help pay the college bills if you need to. With IRAs, you can withdraw money penalty free for college expenses, even if you’re under age 59½ (though there may be income tax consequences for the money you withdraw). But with an employer-sponsored retirement plan like a 401(k) or 403(b), you’ll generally pay a 10 percent penalty on any withdrawals made before you reach age 59½ (age 55 in some cases), even if the money is used for college expenses. You may also be subject to a six month suspension if you make a hardship withdrawal. There may be income tax consequences, as well. (Check with your plan administrator to see what withdrawal options are available to you in your employer-sponsored retirement plan.)

5 Financial Tips for College Students

About 20 million students attended U.S. colleges and universities in 2015, according to the National Center for Education Statistics. These students may have spent years in school preparing academically for higher education, but they may not feel completely ready to handle their finances. Here are five tips for students who want to get high marks in managing their money:

1. **Take charge with a budget.**
Have you been responsible for your own monthly budget in the past? Or are you new to being responsible for what you spend on food, rent and other expenses? Your first step should be creating a budget that will serve as a roadmap for your spending. It will also help you time your expenditures so you can avoid running short on funds at the end of the month. Be sure you include all monthly expenses. For any yearly expenses, divide the total by 12 to get your monthly payment or the amount you need to put away to reach the total by the time it’s due.

2. **Don’t overthink it.**
Making a budget doesn’t have to be complicated. It can be as simple as figuring out how much you have to spend each month—which will include money you receive from your parents, scholarships and other financial aid, a job and other sources—and how much you expect to spend. Your spending will include things such as rent, if you’re not in a dorm, plus any meals you’ll have to pay for that aren’t already covered in a meal plan, as well as the costs of books, fees or activities related to your courses and any travel or commuting costs. Once you’ve identified your monthly needs, whatever is left is yours to spend on your wants. It’s a good idea to track your spending as you go, to be sure you’re on target with your budget and to get a sense of where you’re spending your money.

3. **Keep a lid on credit.**
More than half—56 percent—of undergraduates have credit cards, according to a national Sallie Mae study. Managed properly through controlled spending, credit cards can be an important part of building a solid credit history. However, be sure to monitor your balance. You may be surprised by how quickly your purchases add up. To avoid overspending, stick to your budget and pay off your balance each month. And before you sign up, be sure to read the fine print. Look for a card with low or no annual fees and compare offers to find the lowest interest rate. Also, find out how long the grace period, the amount of time you have to pay your balance in full without paying a finance charge, on the credit card is and what you’ll be charged for a late payment. Once you begin to use credit, the three major credit reporting companies will begin calculating your credit score based on factors such as your payment history. You’re eligible to receive a free credit report from each of the three major credit reporting companies once every 12 months. Go to www.annualcreditreport.com for more information.

4. **Don’t spend more than necessary.**
If you’re signed up for meals at the college cafeteria, don’t waste cash buying food elsewhere. In addition, many businesses give discounts to students or sell gently used books or other supplies. Research all your opportunities to save a few bucks on purchases and make the most of them.

5. **Set some aside for later.**
Remember that it’s never too early to get into the habit of putting some of your money into a savings account. Doing so can help you afford things like a trip to a sunny location during your break or your account can serve as a nest egg for life beyond college. And saving is a habit that will serve you well throughout the years ahead.
3 Ways Tax Credits Can Help Lower College Costs

Are you looking for options to minimize the costs of higher education? The average cost of tuition and fees for a four-year college education can range from about $40,000 for in-state students at a public college to nearly $135,000 at a private college, according to College Board data (www.collegeboard.org). Fortunately, there are some tax laws that can help lower your outlays. Here are three ways to lower college costs using tax-advantaged options:

1. **Claim the American Opportunity Tax Credit.** The American Opportunity Tax Credit (AOTC) is a tax credit of up to $2,500 of the cost of tuition, fees and course materials paid during the tax year. Room and board, transportation, insurance, medical expenses and fees beyond those required as a condition of enrollment or attendance at an eligible education institution are not considered qualified expenses. You can generally receive the credit if you, your spouse or your dependent were enrolled at least half time in a college program leading toward a degree, certificate or other recognized educational credential—for at least one academic period during the tax year—and had not completed the first four years of college education at the beginning of the tax year. To qualify for the full credit, your modified adjusted gross income must be $80,000 or less ($160,000 or less if married filing jointly). You may be eligible for a reduced credit if your income is less than $90,000 (below $180,000 if filing jointly). The AOTC is available for up to four years of qualifying expenses. As of this publication, it is set to expire on Dec. 31, 2017, but Congress has extended the credit in the past.

2. **Claim the Lifetime Learning Credit.** There are several important differences between the AOTC and another valuable option, the Lifetime Learning Credit, or LLC. The LLC is a tax credit for the cost of tuition and fees not only for undergraduate, but also graduate and professional degrees at an eligible institution—as well as for courses that will help you get or improve job skills. To be eligible for the credit, you, your spouse or your dependent can be enrolled in as few as one course at a time. In addition, there is no limit on how many years you can take the credit, so it can come in handy for many educational needs. The LLC provides up to $2,000 per taxpayer, and the income limits differ from those for the AOTC. To qualify for the full LLC, your modified adjusted gross income must be $55,000 or less ($110,000 or less for those married filing jointly). You may be eligible for a reduced credit if your income is less than $65,000 ($131,000 for those filing jointly). However, there is one important fact to remember: Taxpayers aren’t allowed to take both the AOTC and the LLC credits in the same tax year.

3. **Look beyond credits.** If you don’t qualify for either of these credits, there’s another tax-advantaged option that can help you manage college costs, but it will require some advance planning. A 529 college savings plan allows you to invest money that can earn interest and dividends tax free, as long as you spend the money for qualifying expenses at an eligible educational institution. There are no income limits on who can start a plan, but plans will have varying lifetime contribution limits. You can choose among different plans and investment options and change your investment up to twice each calendar year. The sooner you begin using a 529 plan to save for college, the greater your chances are to build tax-free interest and dividends over time. Additionally, Oklahoma residents who contribute to an Oklahoma 529 plan can deduct contributions up to $10,000 for single filers ($20,000 for married filing jointly) from their Oklahoma taxable income. (For additional information, visit www.ok4saving.org.)

3 Tips for Paying Back Student Loans

Thousands of college grads take advantage of a student loan grace period. Grace periods are granted to give new grads time to find new jobs armed with their new degrees. However, if your grace period is about to end or if you want to be prepared, here are three tips for repaying student loans.

1. **Pretend you’re already paying and start your emergency fund.** Log in to your accounts now and find out what your payment will be. Next, create a budget where you start setting that much aside each month in a separate savings account. Not only will this help make the payments less stressful when they’re due, but it will also help you establish the start of your emergency fund, one of the pillars of financial security. Experts advise building three to six months’ worth of living expenses, but it will depend upon your situation. However, any emergency fund is better than no emergency fund, so don’t let the higher amount scare you into not saving at all.

2. **Choose your repayment plan wisely.** Federal student loans have a variety of repayment plans available. Before opting for the lowest payment, pay attention to the amount of interest you’ll pay over the life of the loan. The standard repayment plan of ten years of level payments may be the highest amount per month, but it’s also the lowest amount of interest (meaning less money overall out of your pocket). Try for that option if you can. If you simply can’t afford that monthly payment, it’s ok to choose an income-based or graduated plan. Remember you can always pay more than your monthly payment if you find extra money in your budget.

3. **Try not to stress about your loans.** Depending on the total amount of loans you
The term “qualified education expenses” is used frequently in education circles, but it can mean various things depending on the context. This table describes what the term means in specific situations. (Note: The term “post-secondary education” includes graduate school unless otherwise noted.)

### What are “Qualified Education Expenses?”

Qualificed Education Expenses are...

<table>
<thead>
<tr>
<th>Plan/Plan Type</th>
<th>Description</th>
<th>Example Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>529 College Savings Plan</strong></td>
<td>Tuition, fees, books, supplies, equipment, and room and board for post-secondary education (college savings plans generally include graduate school; prepaid tuition plans generally don’t)</td>
<td>Computers: qualified for 2009 and 2010, along with Internet access and certain software, while beneficiary is in college (previously, computers qualified only if the college specifically required one in order to enroll or attend)</td>
</tr>
<tr>
<td><strong>529 Prepaid Tuition Plan</strong></td>
<td>Room and board: qualified only if the student is enrolled at least half time (if student lives on campus, room and board is limited to the actual amount charged by the school; if student lives off campus or at home, room and board is limited to the college’s specific published room and board allowance figure)</td>
<td>Special needs services: qualified if incurred by a beneficiary with special needs in order to enroll or attend</td>
</tr>
<tr>
<td><strong>Coverdell ESA</strong></td>
<td>Elementary, secondary, and post-secondary education expenses, including tuition, fees, tutoring, books, supplies, room and board, uniforms, transportation, and related equipment</td>
<td>Computers: qualified for students in elementary and secondary school, even if the school doesn’t require it; aren’t qualified at the post-secondary level unless the college requires one</td>
</tr>
<tr>
<td><strong>U.S. Savings Bonds</strong></td>
<td>Tuition and fees for post-secondary education (courses must be part of a degree or certificate program), and contributions to 529 plans (prepaid tuition plans or college savings plans) and Coverdell ESAs</td>
<td>Room and board and books: not qualified education expenses</td>
</tr>
<tr>
<td><strong>Hope Credit</strong></td>
<td>Tuition and related expenses only (Hope credit can be used only for undergraduate costs; Lifetime Learning credit and deduction for qualified higher education expenses can be used for both undergraduate and graduate costs)</td>
<td>For loan to be qualified: student must have been enrolled in a degree or certificate program and at least half-time when the funds are used</td>
</tr>
<tr>
<td><strong>Lifetime Learning Credit</strong></td>
<td>Course-related books, supplies, equipment, and student activities: for Lifetime Learning credit, qualified only if the fees must be paid to the college</td>
<td>Not qualified expenses (even if they must be paid to the college in order to enroll or attend): room and board, medical expenses (including student health fees), insurance, transportation, and personal living expenses</td>
</tr>
<tr>
<td><strong>Deduction for Qualified Higher Education Expenses</strong></td>
<td>Tuition, fees, room and board, books, equipment, and other necessary expenses, such as transportation, for post-secondary education</td>
<td>Not qualified expenses (even if they must be paid to the college in order to enroll or attend): room and board, medical expenses (including student health fees), insurance, transportation, and personal living expenses</td>
</tr>
<tr>
<td><strong>Student Loan Interest Deduction</strong></td>
<td>Tuition, fees, room and board, books, equipment, and other necessary expenses, such as transportation, for post-secondary education</td>
<td>Not qualified expenses (even if they must be paid to the college in order to enroll or attend): room and board, medical expenses (including student health fees), insurance, transportation, and personal living expenses</td>
</tr>
</tbody>
</table>

Source: American Institute of CPAs
CHAPTER THREE:
Young Adult Issues

When you become an adult, you have to take on some serious responsibilities. Start out right by establishing good financial footing. Consider the following:

• Homeownership among Americans under age 35 is barely half the national average at 34.1 percent (Washington Post, August 2016).

• Just 26 percent of millennials are married, compared to 36 percent of Gen X-ers 20 years ago and 48 percent of boomers in 1980 (New York Post, March 2016).

• About one-third of 18-to-34-year-olds live with their parents (Washington Post, August 2016).

In this chapter, you will learn basics on starting out, evaluating a job offer, pros and cons of renting versus buying, ways to save on wedding costs and more.

Get more financial tips from www.FeedThePig.org, www.360FinancialLiteracy.org or www.KnowWhatCounts.org. Also on social media, each offers free tips, e-newsletters, resources and more.

Also, check out the “On Your Own” section of Life Stages at www.TinkerFCU.org.

This chapter is sponsored by Tinker Federal Credit Union.

Tinker Federal Credit Union has been helping their members achieve their goals and realize their dreams since 1946. Oklahoma’s largest credit union, TFCU offers its members the latest technology that gives them access to their accounts anytime that’s convenient for them. As a not-for-profit financial cooperative, TFCU returns profits to its members through higher dividends, lower loan rates and many no-fee or low-fee services. TFCU keeps our members’ finances secure, so they can focus on what makes them happy. To find out more about the benefits of membership with TFCU, visit TinkerFCU.org.
4 Financial Tips for Starting Out

You’re on your own now. You’ve finished school, are working your first real job and maybe you’re even buying a home or getting married. Here are a few tips to help you start managing your finances.

1. Construct a budget. The foundation of any financial plan depends on knowing what your income and expenses are and budgeting accordingly. Your income may be easy to figure out (look at your paycheck), but don’t forget to add in other income such as interest income and maybe earnings from a seasonal job. Most of your expenses will also be fixed, such as rent, utilities, and groceries, but don’t forget about occasional expenses, such as clothes or car repairs. If your income is greater than your expenses, you’re in good shape, but if it’s the other way around, you’ll need to generate more income or cut expenses, or both. If cutting expenses, look at your wants first (e.g., travel). There’s less flexibility when it comes to your needs (e.g., groceries).

2. Prioritize your debt. Maybe you’ve got student loans, a car loan and some credit card debt. Paying all your debts on time will help you establish and maintain a good credit history, so it’s important to make debt repayment a priority expense in your budget. If you need to reduce your debt burden, perhaps you can consolidate your student loans to lower the monthly payment. As for credit card debt, resolve to pay it off in a systematic fashion: always pay more than the minimum payment due, and if you have more than one card, direct any extra money you have toward the card with the highest interest rate.

3. Review your insurance coverage.
   a. Health insurance: Hopefully, you’ll have coverage through your employer. If not, as part of recent health-reform legislation, you may be able to remain on your parents’ health insurance if you are under age 26.
   b. Disability insurance: You’re fine now, but that could change in a heartbeat if an injury or illness puts you out of commission. Disability insurance pays benefits that will help cover your living expenses if you can’t work due to an injury or illness. It may be offered through your employer, or you can purchase it on your own.
   c. Life insurance: If you’re employed, you may receive life insurance as part of your employee benefits package. If not, you may want to purchase a small policy to cover any final expenses (e.g., funeral expenses) that might be incurred if you die. If you’re getting married or planning a family, you’ll need life insurance to protect your loved ones.

4. Plan for your future. One “expense item” you should include in your budget is saving for your future. Although retirement seems far off, start saving as soon as possible. Due to compound interest, the sooner you start saving even a modest amount, the greater the amount you can potentially accumulate over time. For example, $50 per month saved at 6 percent compounded monthly for 30 years yields a total accumulation of more than $50,000, even though you only deposited $18,000 of that ($50 x 12 months x 30 years). (This is a hypothetical example and is not intended to reflect the actual performance of any investment—results will vary.) Save for your short-term needs, too. Try to sock away at least three to six months’ worth of expenses in a savings or money market account, so that you’ll have funds you can access in an emergency. Take advantage of any employer-sponsored retirement plans you’re offered. Your contributions come out of your salary on a pretax basis, and any investment earnings are tax deferred until withdrawn. These plans often include employer-matching contributions. You may also want to look into opening an individual retirement account (IRA).

Evaluating a Job Offer

If you’re looking for a first job or considering changing jobs, you should understand how to assess a job offer. It’s likely that at some point during your career, you’ll be looking for a new job. You may be looking to make more money or seeking greater career opportunities. Or, you may be forced to look for new employment if your company restructures. Whatever the reason, you’ll eventually be faced with an important decision: When you receive an offer, should you take it? You can find the job that’s right for you by following a few sensible steps.

How does the salary offer stack up?

What if the salary you’ve been offered is less than you expected? First, find out how frequently you can expect performance reviews and/or pay increases. Expect the company to increase your salary at least annually. To fully evaluate the salary being offered, compare it with the average pay of other professionals working in the same field. You can do this by talking to others who hold similar jobs, calling a recruiter (i.e., a headhunter), or doing research at your local library or online. The Bureau of Labor Statistics (bls.gov) is a good source for this information.

Will you receive bonuses and other benefits?

Next, ask about bonuses, commissions and profit-sharing plans that can increase your total...

(Cont. on 24)
income. Find out what benefits the company offers and how much of the cost you’ll bear as an employee. Don’t overlook the value of good employee benefits. They can add the equivalent of thousands of dollars to your base pay. Ask to look over the benefits package available to new employees. Also, find out what opportunities exist for you to move up in the company. This includes determining what the company’s goals are and the type of employee that the company values.

Understand personal and professional consequences.

Will you be better off financially if you take the job? Will you work a lot of overtime, and is the scheduling somewhat flexible? Must you travel extensively? Consider the related costs of taking the job, including the cost of transportation, new clothes, a cell phone, increased day-care expenses and the cost of your spouse leaving his or her job if you are required to relocate. Also, take a look at the company’s work environment. You may be getting a good salary and great benefits, but you may still be unhappy if the work environment doesn’t suit you. Try to meet the individuals with whom you would be closely working and see if you click. It may also be helpful to find out something about the company’s key executives and to read a copy of the company’s mission statement.

Decide whether to accept the job offer.

You’ve spent a lot of time and energy researching and evaluating a potential job, but the hardest part is yet to come: Now that you have received a job offer, you must decide whether to accept it. Review the information you’ve gathered. Think back to the interview, paying close attention to your feelings and intuition about the company, the position and the people with whom you came in contact. Consider not only the salary and benefits you’ve been offered, but also the future opportunities you might expect with the company. How strong is the company financially and is it part of a growing industry? Decide if you would be happy and excited working there. If you’re having trouble making a decision, make a list of the pros and cons. It may soon become clear whether the positives outweigh the negatives or vice versa.

Negotiate a better offer.

Sometimes you really want the job you’ve been offered, but you find the salary, benefits or hours unfavorable. In this case, it’s time to negotiate. You may be reluctant to negotiate because you fear that the company will rescind the offer or respond negatively. However, if you truly want the job but find the offer unacceptable, you may as well negotiate for a better offer rather than walk away from a great opportunity without trying. The first step in negotiating is to tell your potential employer specifically what it is that you want. State the amount of money you want or the exact hours you wish to work. Make it clear that if the company accepts your terms, you are willing and able to accept its offer immediately.

What happens next? It’s possible the company will accept your counteroffer. Or, the company may reject it, because either company policy does not allow negotiation or the company is unwilling to move from its original offer. The company may make you a second offer, typically a compromise between its first offer and your counteroffer. In either case, the ball is back in your court. If you still can’t decide whether to take the job, ask for a day or two to think about it. Take your time. Accepting a new job is a big step.
Contribute as much as possible.

The more you can save for retirement, the better your chances of retiring comfortably. If you can, max out your contribution up to the legal limit. If you need to free up money to do that, try to cut certain expenses.

Why put your retirement dollars in your employer’s plan instead of somewhere else? One reason is that your pretax contributions to your employer’s plan lower your taxable income for the year. This means you save money in taxes when you contribute to the plan—a big advantage if you’re in a high tax bracket.

For example, if you earn $100,000 a year and contribute $10,000 to a 401(k) plan, you’ll pay income taxes on $90,000 instead of $100,000. (Roth contributions don’t lower your current taxable income but qualified distributions of your contributions and earnings—that is, distributions made after you satisfy a five-year holding period and reach age 59½, become disabled, or die—are tax free.)

Another reason is the power of tax-deferred growth. Your investment earnings compound year after year and aren’t taxable as long as they remain in the plan. Over the long term, this gives you the opportunity to build an impressive sum in your employer’s plan. You should end up with a much larger balance than somebody who invests the same amount in taxable investments at the same rate of return.

For example, you participate in your employer’s tax-deferred plan (Account A). You also have a taxable investment account (Account B). Each account earns 8 percent per year. You’re in the 28 percent tax bracket and contribute $10,000 to each account at the end of every year. You pay the yearly income taxes on Account B’s earnings using funds from that same account. At the end of 30 years, Account A is worth $1,132,832, while Account B is worth only $757,970. That’s a difference of over $370,000. (Note: This example is for illustrative purposes only and does not represent a specific investment.)

Capture the full employer match.

If you can’t max out your 401(k) or other plan, you should at least try to contribute up to the limit your employer will match. Employer contributions are basically free money once you’re vested in them (check with your employer to find out when vesting happens). By capturing the full benefit of your employer’s match, you’ll be surprised how much faster your balance grows. If you don’t take advantage of your employer’s generosity, you could be passing up a significant return on your money.

For example, if you earn $30,000 a year and work for an employer that has a matching 401(k) plan. The match is 50 cents on the dollar up to 6 percent of your salary. Each year, you contribute 6 percent of your salary ($1,800) to the plan and receive a matching contribution of $900 from your employer.

Evaluate your investment choices carefully.

Most employer-sponsored plans give you a selection of mutual funds or other investments to choose from. Make your choices carefully. The right investment mix for your employer’s plan could be one of your keys to a comfortable retirement. That’s because over the long term, varying rates of return can make a big difference in the size of your balance.

Research the investments available to you. How have they performed over the long term? Have they held their own during down markets? How much risk will they expose you to? Which ones are best suited for long-term goals like retirement? You may also want to get advice from a financial professional (either your own, or one provided through your plan). He or she can help you pick the right investments based on your personal goals, your attitude toward risk, how long you have until retirement and other factors. Your financial professional can also help you coordinate your plan investments with your overall investment portfolio.

Finally, you may be able to change your investment allocations or move money between the plan’s investments on specific dates during the year (e.g., at the start of every month or every quarter).

Know your options when you leave your employer.

When you leave your job, your vested balance in your former employer’s retirement plan is yours to keep. You have several options at that point, including:

• Taking a lump-sum distribution. This is often a bad idea, because you’ll pay income taxes and possibly a penalty on the amount you withdraw. Plus, you’re giving up continued tax-deferred growth.

• Leaving your funds in the old plan, growing tax deferred (your old plan may not permit this if your balance is less than $5,000, or if you’ve reached the plan’s normal retirement age--typically age 65). This may be a good idea if you’re happy with the plan’s investments or you need time to decide what to do with your money.

• Rolling your funds over to an IRA or a new employer’s plan if the plan accepts rollovers. This is often a smart move because there will be no income taxes or penalties if you do the rollover properly (your old plan will withhold 20 percent for income taxes if you receive the funds before rolling them over). Plus, your funds will keep growing tax deferred in the IRA or new plan.
Should You Pay Down Debt or Save and Invest?

There are certainly a variety of strategies for paying off debt, many of which can reduce how long it will take to pay off the debt and the total interest paid. But should you pay off the debt? Or should you save and invest? To find out, compare what rate of return you can earn on your investments versus the interest rate on the debt. There may be other factors that you should consider as well.

Probably the most common factor used to decide whether to pay off debt or to make investments is to consider whether you could earn a higher after-tax rate of return on the investments than the after-tax interest rate on the debt. For example, say you have a credit card with a $10,000 balance on which you pay nondeductible interest of 18 percent. You would generally need to earn an after-tax rate of return greater than 18 percent to consider making an investment rather than paying off the debt. So, if you have $10,000 available to invest or pay off debt and the outlook for earning an after-tax rate of return greater than 4.32 percent is good, it may be better to invest the $10,000 rather than using it to pay off the debt.

Of course, it isn’t an all-or-nothing choice. It may be useful to apply a strategy of paying off debts with high interest rates first, and then investing when you have a good opportunity to make investments that may earn a higher after-tax rate of return than the after-tax interest rate on the debts remaining.

Say, for example, you have a credit card with a $10,000 balance on which you pay 18 percent nondeductible interest. You also have a mortgage with a $10,000 balance on which you pay deductible interest of 6 percent, and your tax rate is 28 percent. So, if you have $20,000 available to invest or pay off debt, it may make sense to pay off the credit card with $10,000 and invest the remaining $10,000.

When investing, keep in mind that, in general, the higher the rate of return, the greater the risk, which can include the loss of principal. If you make investments rather than pay off debt and your investments incur losses, you may still have debts to pay, but will you have the money needed to pay them?

When deciding whether to pay down debt or to save and invest, you might also consider the following:

- What are the terms of your debt? Are there any penalties for prepayment?
- Do you actually have money that you could invest? Most debts have minimum payments that must be paid each month. Failure to make the minimum payment can result in penalties, increased interest rates, and default. Are your funds needed to make those payments?
- How much debt do you have? Is it a problem? How do you feel about debt? Is it something you can easily live with or does it make you uncomfortable?
- If you say you will save the money, will you really invest it or will you spend it? If you pay off the debt, you will have assured instant savings by eliminating the need to come up with the money needed to pay the interest on the debt.
- Would you be able to borrow an additional amount, if needed, and at what interest rate, if you paid off current debt? Do you have an emergency fund, or other source of funds, that could be used if you lose your job or have a medical emergency, or would you have to borrow?
- If your employer matches your contributions in a 401(k) plan, you should generally invest in the 401(k) to get the matching contribution. For example, if your employer matches 50 percent of your contributions up to 6 percent in a 401(k) plan, getting the 50 percent match is like getting an instant 50 percent return on your contribution. In addition, there are tax advantages to investing in a 401(k) plan.
Should You Rent or Buy a Home?

Buying a home is one of the biggest investments most people will make in their lives. Before starting your search, take the time to sit down and evaluate which is most feasible for you, renting or buying. Here’s a look at some pros and cons:

What are the pros of buying a home?
• With a fixed-rate mortgage, you’ll know your principal and interest payment for the life of the loan (note: local property tax rates may change your payment over time).
• You’ll own the property, so you’re building equity — and presumably, a return on your investment if you sell.
• Homeowners can usually deduct the interest that is paid on a mortgage for a first home or a second home, but there are some restrictions. Mortgage interest is any interest that you pay on a loan that you secured for a first or second home.

What are the cons of buying a home?
• The biggest initial expense of home ownership is the down payment. Depending on the terms of your loan, you may have to put down as much as 20 percent of the purchase price. That’s a big chunk of change to part with at one time.
• You’ll encounter ongoing monthly expenses such home owner’s insurance, utilities and general maintenance.
• Home ownership also comes with a responsibility to maintain your property, and you may need to adhere to requirements from a homeowners’ association, which may also charge monthly fees.

What are the pros of renting a home?
• With renting, you’ll likely have to put down a security deposit, but there isn’t a big initial investment.
• Rent and utilities may increase annually, but that is about it as far as expenses go. No outlays are necessary for flooded basements or new windows. That’s all up to your landlord to finance.
• When you’re renting, you can pick up and move when you’d like, according to the terms of your lease. If you’ve unintentionally rented in what turns out to be a less than desirable area, you’re not tied down by a 30-year loan or the inability to sell a house. When your lease expires, you can move on.

What are the cons of renting a home?
• You’re getting a roof over your head, but you’re not building any equity. Your landlord gets that benefit.
• There aren’t any tax write offs available to renters, only for landlords.
• You’ll likely be limited on many changes. If you want to paint or remodel, you’ll need to clear it with your landlord first. If you are permitted to make cosmetic changes, you can’t take them with you. The next renter will get to hang on to any improvements you make.

The biggest initial expense of home ownership is the down payment. Depending on the terms of your loan, you may have to put down as much as 20 percent of the purchase price.

After examining the pros and cons, there are a few other items to consider before making your final decision.

• How long do you plan to live in the area?
• Do you expect a job change or promotion in the near future? If so, it might not be the best time to buy. Selling a home can take time and involve more costs.
• If you’re new to a city, take the time to get to know the area. A neighborhood that seems suited to your lifestyle now may not be to your liking after a while.
• When you sit down to crunch the numbers, does it make more financial sense to buy or rent? What do you want and what can you afford? You can use free online calculators to help create and analyze this financial scenario and many more.

The thought of buying a home is exciting, but it’s a long-term financial commitment. Understand everything that’s involved in homeownership before you take the plunge. If now isn’t the right time, you can start or continue to save for a down payment until you’re ready.
Getting Hitched? Consider These Six Issues

Getting married is exciting, but it brings many challenges. One such challenge that you and your spouse will have to face is how to combine your finances. Planning carefully and communicating clearly are important, because the financial decisions that you make now can have a lasting impact on your future.

1. **Discuss your financial goals.** The first step in mapping out your financial future together is to discuss your financial goals. Start by making a list of your short-term goals (e.g., paying off wedding debt, new car, vacation) and long-term goals (e.g., having children, your children’s college education, retirement). Then, determine which goals are most important to you. Once you’ve identified the goals that are a priority, you can focus your energy on achieving them.

2. **Prepare a budget.** Next, you should prepare a budget that lists all of your income and expenses over a certain time period (e.g., monthly, annually). You can designate one spouse to be in charge of managing the budget or you can take turns keeping records and paying the bills. If both you and your spouse are going to be involved, make sure that you develop a record-keeping system that both of you understand. And remember to keep your records in a joint filing system so that both of you can easily locate important documents. Begin by listing your sources of income (e.g., salaries and wages, interest, dividends). Then, list your expenses (it may be helpful to review several months of entries in your checkbook and credit card bills). Add them up and compare the two totals. Hopefully, you get a positive number, meaning that you spend less than you earn. If not, review your expenses and see where you can cut down on your spending.

3. **Decide on bank accounts—separate or joint?** At some point, you and your spouse will have to decide whether to combine your bank accounts or keep them separate. Maintaining a joint account does have advantages, such as easier record keeping and lower maintenance fees. However, it’s sometimes more difficult to keep track of how much money is in a joint account when two individuals have access to it. Of course, you could avoid this problem by making sure you tell each other every time you write a check or withdraw funds from the account. Another option is for you to both maintain separate accounts and both contribute a set amount or a percentage of your paycheck to a joint account, out of which you pay joint expenses (expenses you both incur as a family). Or, you could always decide to maintain separate accounts entirely. Make sure you both agree on what you will be doing and why. One of the biggest issues couples fight about is money, and you want to avoid as many potential arguments as possible.

4. **Should you have joint credit cards?** Carefully consider whether you should add a spouse to your credit card accounts. When you and your spouse have joint credit, both of you become responsible for 100 percent of the credit card debt. In addition, if one of you has poor credit, it will negatively impact the credit rating of the other. If you or your spouse does not qualify for a card because of poor credit and you’re willing to give your spouse account privileges anyway, you can make your spouse an authorized user of your credit card. An authorized user is not a joint cardholder and is therefore not liable for any amounts charged to the account. Also, the account activity won’t show up on the authorized user’s credit record. But remember, you remain responsible for the account.

5. **Discuss insurance.** If you and your spouse have separate health insurance coverage, you’ll want to do a cost/benefit analysis of each plan to see if you should continue to keep your health coverage separate. For example, if your spouse’s health plan has a higher deductible and/or co-payments or fewer benefits than those offered by your plan, he or she may want to join your health plan instead. You’ll also want to compare the rate for one family plan against the cost of two single plans. It’s a good idea to examine your auto insurance coverage, too. If you and your spouse own separate cars, you may have different auto insurance carriers. Consider pooling your auto insurance policies with one company. Many insurance companies will give you a discount if you insure more than one car with them. If one of you has a poor driving record, however, make sure that changing companies won’t mean paying a higher premium.

6. **Learn your employer-sponsored retirement plans.** If both you and your spouse participate in an employer-sponsored retirement plan, you should be aware of each plan’s characteristics. Review each plan together carefully and determine which plan provides the best benefits. If you can afford it, you should each participate to the maximum in your own plan. If your current cash flow is limited, you can make one plan the focus of your retirement strategy. Here are some helpful tips:

- If both plans match contributions, determine which plan offers the best match and take full advantage of it;
- Compare the vesting schedules for the employer’s matching contributions;
- Compare the investment options offered by each plan—the more options you have, the more likely you are to find an investment mix that suits your needs; and
- Find out whether the plans offer loans. If you plan to use any of your contributions for certain expenses (e.g., your children’s college education, a down payment on a house), you may want to participate in the plan that has a loan provision.
Last Minute Ways to Save on Your Wedding

In the last few weeks before you say, “I do,” you are probably looking at ways to eliminate excess expenses. Deciding where to trim dollars can be overwhelming and distract you from what is meant to be a monumental moment in your life. Here are some ways to solidify your budget leading up to that special day.

1. Be your own DJ. Musical entertainment is a big part of the wedding reception. According to Value Penguin, the average cost for a band is upwards of $3,500. While hiring a DJ can be far less expensive, it still comes in at a cost of $1,000, on average. You can download the app “Djay” for around $10 and create your own playlist and it’ll crossfade for you. Put a friend or relative in charge of it and save some cash.

2. Venue cleanup. Most places will charge you a deposit or even build in charges for “facility cleanup.” In lieu of a wedding gift from a particular family member, ask if he or she will be in charge of cleaning up the place. In the grand scheme of things, $250 may not seem to be that critical of a savings, but it will definitely be a welcome added savings on the budget.

3. Reception photos. You are definitely going to need a professional for the wedding, which usually only lasts about 30 minutes. The reception is an opportunity for the photography to gouge you on the price because it takes more time. Create a wedding hashtag (e.g., #wegothitched) and encourage your family, wedding party and whoever else will be there to become free photographers. You’ll build a wedding brand and have tons of pictures for your collection.

4. Transportation. Taking a limo from the wedding to the airport or hotel? These charges can be an additional $250-$700 with depending variables. Seek out a family friend that may have an old classic car or rent an Uber. It will take a little extra work on your part to make sure your bags make it to the trunk, but it will be more money to spend on that special honeymoon.

5. Honeymoon. Tradition tells us that you get married and then take a vacation together to somewhere exotic. Prioritize where you want to go and if it’s an once-in-a-lifetime trip, crowdfund it. You can go to website like Honey Fund, where you post it, share the link on social media and via email, and then watch as people invest in your dream trip. To date, more than $435 million dollars have been donated. Even if donations don’t completely cover your costs, getting some of it funded would make registering worth it.

Should My Spouse and I Both Work After a Child is Born?

Following the birth of your child, you may feel that both you and your spouse need to work to meet household expenses and maintain your current lifestyle. However, you may discover that one of you can stay home without seriously affecting your net income. Though you would have to do without a second income, you need to factor in what you’d save:

- Child-care costs: The cost per child for a day-care facility, nursery school or nanny;
- Commuting costs: Gasoline, wear and tear on your car, tolls and parking;
- Clothing: Work clothes and dry cleaning;
- Restaurant and take-out food: Prepared dinners you purchase because you have no time to cook;
- Lunches out: You have more time to prepare your own;
- House cleaning and gardening: Hired help to clean the house and mow the lawn; and/or
- Taxes: With only one salary, you may move into a lower tax bracket.

Now, consider the adverse effects of becoming a single-income household. The most obvious, of course, is a reduced family income. You should also consider what effect a leave of absence will have on the stay-at-home spouse’s career and your family’s retirement plans. You may both be at a point in your careers where you are earning high salaries. Leaving your job now may mean having to start over lower on the career ladder. And if one of you leaves work, you may miss the opportunity to fully fund your employer-sponsored retirement plan. Further, with only one income, you are more vulnerable in the event of an economic downturn. Finally, the stay-at-home spouse may lose the sense of accomplishment and community one gets from working outside the home.

You should balance all the issues, both pros and cons. And remember, although it may make sense for both of you to continue working, some nonfinancial considerations, such as the opportunity to raise and supervise your child in your own home, may outweigh your financial concerns.
Should You Work with a Financial Advisor?

The world of 50 years ago was a lot different than it is today. An individual often worked at the same job all his or her adult life, lived in the same house, and stayed married to the same spouse. In those days, too, one spouse could support a family, paying for college ordinarily didn’t require taking out a second mortgage, and people could look forward to retiring on Social Security and possibly a company pension.

Today, your hopes and dreams are not different. Like most people, you probably want to buy a home, put your children through college, and retire with a comfortable income. But the world has become a more complex place, especially when it comes to your finances. You may already be working with financial professionals—a CPA or estate planner, for example—each of whom advises you in a specific area. But if you would like a comprehensive financial plan to help you secure your future, you may benefit from the expertise of a financial advisor.

Here are some services a financial advisor may provide.

Even if you feel competent enough to develop a plan of your own, a financial advisor can act as a sounding board for your ideas and help you focus on your goals, using his or her broad knowledge of areas such as estate planning and investments. Specifically, a financial advisor may help you:

- Set financial goals;
- Determine the state of your current financial affairs by reviewing your income, assets, and liabilities, evaluating your insurance coverage and your investment portfolio, assessing your tax obligations and examining your estate plan;
- Develop a plan to help meet your financial goals that addresses your current financial weaknesses and builds on your financial strengths;
- Make recommendations about specific products and services (many advisors are qualified to sell a range of financial products);
- Monitor your plan and periodically evaluate its progress; and
- Adjust your plan to help meet your changing financial goals and to accommodate changing investment markets or tax laws.

There are some misconceptions about financial advisors. Maybe you have reservations about consulting a financial advisor because you’re uncertain about what to expect. Here are some common misconceptions about financial advisors, and the truth behind them:

- Most people don’t need financial advisors. While it’s true that you may have the knowledge and ability to manage your own finances, the financial world grows more intricate every day. A qualified financial advisor has the expertise to help you navigate a steady path toward your financial goals.
- All financial advisors are the same. Financial advisors are not covered by uniform state or federal regulations, so there can be a considerable disparity in their qualifications and business practices. Some may specialize in one area such as investment planning, while others may sell a specific range of products, such as insurance. A qualified financial advisor generally looks at your finances as an interrelated whole and can help you with many of your financial needs.
- Financial advisors serve only the wealthy. Some advisors do only take on clients with a minimum amount of assets to invest. Many, however, only require that their clients have at least some discretionary income.
- Financial advisors are only interested in comprehensive plans. Financial advisors generally prefer to offer advice within the context of a client’s current situation and overall financial goals. But financial advisors frequently help clients with specific matters such as rolling over a retirement account or developing a realistic budget.
- Financial planners aren’t worth the expense. Like other professionals, financial advisors receive compensation for their services, and it’s important for you to understand how they’re paid. But a good financial advisor may help you save and earn more than you’ll pay in fees.

How are financial advisors compensated?
When it comes to compensation, advisors fall into four categories:

1. Salary based—You pay the company for which the advisor works, and the company pays its advisors a salary.
2. Fee based—You pay a fee based on an hourly rate (for specific advice or a financial plan) or based on a percentage of your assets and/or income.
3. Commission based—The advisor receives a commission from a third party for any products you may purchase.
4. Commission and fee based—The advisor receives both commissions and fees.

You’ll need to decide which type of compensation structure works best for you, based on your own personal circumstances.

When is it time to consult a financial advisor?
In many cases, a specific life event or a perceived need may prompt you to seek professional financial planning guidance. Such events or needs might include:

- Getting married or divorced;
- Having a baby or adopting a child;
- Paying for your child’s college education;
- Buying or selling a family business;
- Changing jobs or careers;
- Planning for your retirement;
- Developing an estate plan;
- Coping with the death of your spouse; and/or
- Receiving an inheritance or a financial windfall.

In these situations, a financial professional can help you make objective, rather than emotional, decisions.

However, you don’t have to wait until an event occurs before you consult a financial advisor. A financial advisor can help you develop an overall strategy for approaching your financial goals that not only anticipates what you’ll need to do to reach them, but that also remains flexible enough to accommodate your evolving financial needs.

In Oklahoma, get a free referral and 30-minute consultation at www.FindYourCPA.com.
When you become an adult, you have to take on some serious responsibilities. Start out right by establishing good financial footing. The goal of all Americans should be to be debt free! Consider the following:

- The total debt owed by U.S. consumers in 2016 was $779 billion (NerdWallet.com, January 2017).

- For households that carry credit card debt, it costs them about $1,300 a year in interest (NerdWallet.com, January 2017).

- While household income has grown by 28 percent in the past 13 years, the cost of living has increased 30 percent in that same time period (NerdWallet.com, January 2017).

In this chapter, you will get tips on choosing the right credit cards, how to consolidate debt, how to get out of debt and stay out of debt, how to read your credit report and more.

How Can I Get Credit if I Have No Credit History?

It’s the old catch-22. You cannot establish a credit history without having credit, and you cannot get credit without a credit history. But if you work at it, this problem can be overcome. While you create a history, be sure your efforts will be reported to the credit bureaus.

Use the credit history of a family member or friend to leverage yourself into credit in your own name. If you are added as a joint party or authorized user to another person’s credit card, the lender may report the account’s payment history on your credit report. If you have a checking account, ask your bank for overdraft protection (or cash reserve) privileges. With this feature added to your account, you can create credit by writing a check for an amount greater than the balance in your account (but not greater than the limit of your cash reserve line!). Alternatively, ask the bank for a small personal loan. As you repay these debts, you establish a credit history. Make sure the bank reports that history to the credit bureaus.

Secured credit cards are also a good way to get started. Your credit line is secured by your deposit in the bank, minimizing the creditor’s risk. For example, if you deposit $500 in the bank, you get a credit card with a maximum limit of $500. As you use the card and make payments, you establish a credit history. These cards have high interest rates, but your goal is only to charge what you can afford to repay. As you repay the debt, you establish a repayment pattern seen by other creditors.

You may qualify for a department store charge card or gas card. Because these cards have high interest rates, but your goal is to repay the debt, you establish a credit history. Make sure the bank reports that history to the credit bureaus.

These debts, you establish a credit history. Make sure the bank reports that history to the credit bureaus. Secured credit cards are also a good way to get started. Your credit line is secured by your deposit in the bank, minimizing the creditor’s risk. For example, if you deposit $500 in the bank, you get a credit card with a maximum limit of $500. As you use the card and make payments, you establish a credit history. These cards have high interest rates, but your goal is only to charge what you can afford to repay. As you repay the debt, you establish a repayment pattern seen by other creditors.

You may qualify for a department store charge card or gas card. Because these cards have high interest rates, but your goal is only to charge what you can afford to repay. As you repay the debt, you establish a credit history. These cards have high interest rates, but your goal is only to charge what you can afford to repay. As you repay the debt, you establish a repayment pattern seen by other creditors.

If you still have difficulty obtaining credit in your own name, consider a collateralized or cosigned loan. With a collateralized loan, the item you pledge as collateral (such as a car) minimizes the risk to the credit grantor. With a cosigned loan, your cosigner is equally liable for the balance. Spreading the responsibility for repayment in this fashion minimizes the lender’s risk. Successful repayment of these types of loans can then be used to establish your own credit history.

How Should You Choose a Credit Card?

Like dandelions in a spring lawn, credit card offers pop up everywhere—stuffing your mailbox, flashing on the Internet, even falling from the magazines in your doctor’s waiting room. And they all sound so attractive. “0% APR until next year!” “No fee if you transfer a balance now!” “Low fixed rate!” You’re thinking of applying for a card, but how do you decide which offer is best for you?

1. Learn the lingo. In order to evaluate credit card offers, you’ll need to learn the language they use. Here are some of the more important terms.

   a. Annual percentage rate (APR): the cost of credit as indicated by a yearly (fixed or variable) interest rate. This rate and the periodic rate (the APR expressed as a daily or monthly factor) must be disclosed to you before you become obligated on the card.

   b. Balance computation method: the formula used to determine the outstanding balance on which you’re charged interest for the billing period.

   c. Finance charge: the cost of credit for the billing cycle, expressed as a dollar amount and determined by multiplying the outstanding balance by the periodic rate.

   d. Fees: charges (other than the finance charge) that may be levied against your account. Common examples include an annual fee, cash advance fees, balance transfer fees, late payment fees, and over-the-limit fees.

   e. Grace period: the length of time prior to your payment due date during which you may pay off your account without incurring any finance charge.

2. Once you can talk the talk, ask questions.

   Any credit card will cost you something, but depending on the terms and conditions, some are more costly than others. When evaluating a credit card offer, here are some points to consider:

   a. What’s the interest rate? Is it fixed or variable? If variable, how is it calculated?

   b. Will you be charged different interest rates for purchases, balance transfers, and cash advances?

   c. What method determines the outstanding balance used to calculate the finance charge?

   d. Is there an annual fee, and what other fees may be charged?

   e. What’s the length of the grace period (if any)?

   What you should look for depends in part on how you’ll use the card. If you intend to pay off the balance each month and won’t incur any finance charges, obtaining a low interest rate is less important than finding a card with no annual fee, minimal transaction fees, and a long grace period. If you’ll carry a balance from month to month, you’ll want a low
interest rate and a balance calculation method that minimizes your finance charges.

3. Understand balance transfers. Perhaps you’re not currently using your credit card, but you want to minimize the finance charge on your existing balance. One way to do so is to transfer your balance periodically to a new card with a low introductory “teaser” rate of interest. If you choose to “surf” in this fashion, be cautious. Watch out for:

a. A low interest rate on new purchases, but a higher interest rate on balance transfers;
b. A low introductory interest rate that applies only for a very short period of time;
c. Balance transfer fees, particularly uncapped amounts calculated as a percentage of the balance transferred; and
d. Termination fees and retroactive interest charges levied if you decide to surf the next wave and close the account or transfer the balance to another card before a specified time period has elapsed.

When you transfer a balance from an existing card to a new one, it’s a good idea to close the account you’re leaving. By doing so, you won’t be tempted to use the card again (at a higher rate of interest once the introductory offer period has expired), and you’ll minimize the potential for fraudulent use or identity theft. What’s more, if you don’t close such accounts and later try to transfer your balance again, a new card issuer might turn down your application, afraid you’ll incur too much debt by running up new balances on dormant, but open, credit card accounts.

Voice your concern if you’re turned down and speak up for your rights. If you’re turned down for a credit card, the issuer must inform you specifically why you were turned down or tell you how to get this information. When the rejection is based even in part on information contained in your credit report, you’re entitled to a free copy of the report from the credit bureau that issued it. Get the report and review it; if you discover incorrect notations on it, dispute them. Then contact the card issuer to plead your case, informing the issuer of any corrections made to your credit report. With persistence, you may be able to convince the issuer to approve your credit application.

Your consumer rights related to credit cards are protected by various federal laws.

• The Fair Credit Reporting Act (FCRA) protects your right to know what’s in your credit file and sets up procedures to ensure that credit reporting agencies or credit bureaus furnish correct information about you.
• The Fair and Accurate Credit Transactions Act of 2003 (FACTA) amends and strengthens the FCRA, provides protections against identity theft, improves resolution of consumer disputes, improves the accuracy of consumer records and makes improvements in the use of and consumer access to creditor information.
• The Equal Credit Opportunity Act (ECOA) ensures that when you apply for credit, you won’t be discriminated against because of your gender, race, marital status or age.
• The Fair Credit Billing Act (FCBA) offers protection against billing errors (including limiting your liability for unauthorized purchases) and may help you reverse the purchase of inferior goods or services charged to your credit card.
• The Fair Debt Collection Practices Act (FDCPA) spells out what practices collection agents may and may not use to collect a debt.

If you feel your rights have been violated and you can’t resolve the issue with the creditor, you may file a complaint with one of the federal agencies responsible for enforcing consumer credit laws, including the Federal Trade Commission (FTC), or you can contact the Oklahoma Attorney General (www.ok.gov/oag/).
Understand Advantages and Disadvantages of Credit Cards

Before you use plastic, whether it’s debit or credit, it pays to know everything you can about the implied agreement you have with a credit card company the moment you swipe.

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Convenience</strong>—Credit cards can save you time and trouble—no searching for an ATM or keeping cash on-hand.</td>
<td><strong>Overuse</strong>—Revolving credit makes it easy to spend beyond your means.</td>
</tr>
<tr>
<td><strong>Record keeping</strong>—Credit card statements can help you track your expenses. Some cards even provide year-end summaries that really help out at tax time.</td>
<td><strong>Paperwork</strong>—You’ll need to save your receipts and check them against your statement each month. This is a good way to ensure that you haven’t been overcharged.</td>
</tr>
<tr>
<td>Low-cost loans—You can use revolving credit to save today (e.g., at a one-day sale), when available cash is a week away.</td>
<td><strong>High-cost fees</strong>—Your purchase will suddenly become much more expensive if you carry a balance or miss a payment.</td>
</tr>
<tr>
<td><strong>Instant cash</strong>—Cash advances are quick and convenient, putting cash in your hand when you need it.</td>
<td><strong>Unexpected fees</strong>—Typically, you’ll pay between 2 and 4 percent just to get the cash advance; also cash advances usually carry high interest rates.</td>
</tr>
<tr>
<td><strong>Perks</strong>—From frequent flier miles to discounts on automobiles, there is a program out there for everyone. Many credit card companies offer incentive programs based on the amount of purchases you make.</td>
<td><strong>No free lunch</strong>—The high interest rates and annual fees associated with credit cards often outweigh the benefits received. Savings offered by credit cards can often be obtained elsewhere.</td>
</tr>
<tr>
<td><strong>Build positive credit</strong>—Controlled use of a credit card can help you establish credit for the first time or rebuild credit if you’ve had problems in the past—as long as you stay within your means and pay your bills on time.</td>
<td><strong>Deepening your debt</strong>—Consumers are using credit more than ever before. If you charge freely, you may quickly find yourself in over your head—as your balance increases, so do your monthly minimum payments.</td>
</tr>
<tr>
<td><strong>Purchase protection</strong>—Most credit card companies will handle disputes for you. If a merchant won’t take back a defective product, check with your credit card company.</td>
<td><strong>Homework</strong>—It’s up to you to make sure you receive proper credit for incorrect or fraudulent charges.</td>
</tr>
<tr>
<td><strong>Balance surfing</strong>—Many credit card companies offer low introductory interest rates. These offers allow you to move balances to lower-rate cards.</td>
<td><strong>Teaser rates</strong>—Low introductory rates may be an attractive option, but they last only for a limited time. When the teaser rate expires, the interest rate charged on your balance can jump dramatically.</td>
</tr>
</tbody>
</table>
Understand Your Credit Report

Your credit report contains information about your past and present credit transactions. It’s used primarily by potential lenders to evaluate your creditworthiness. So if you’re about to apply for credit, especially for something significant like a mortgage, you’ll want to get and review a copy of your credit report.

First, get a copy of your credit report.

Every consumer is entitled to a free credit report every 12 months from each of the three credit bureaus. To get your free annual report, you can contact each of the three credit bureaus individually, or you can contact one centralized source that has been created for this purpose. Besides the annual report, you are also entitled to a free report under the following circumstances:

- A company has taken adverse action against you, such as denying you credit, insurance, or employment (you must request a copy within 60 days of the adverse action);
- You’re unemployed and plan to look for a job within the next 60 days;
- You’re on welfare; and/or
- Your report is inaccurate because of fraud, including identity theft.

You can order your free annual report online at www.annualcreditreport.com, by calling 877-322-8228, or by completing an Annual Report Request Form and mailing it to Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281.

Alternatively, you can contact each of the three credit bureaus:

- Experian National Consumer Assistance Center, www.experian.com, P.O. Box 2104, Allen, TX 75013-2104, (888) 397-3742
- Trans Union Annual Credit Report Request Service, www.transunion.com, P.O. Box 105281, Atlanta, GA 30348-5281, (800) 888-4213
- Equifax, Inc., www.equifax.com, P.O. Box 740241, Atlanta, GA 30374, (800) 685-1111

If you make your request online, you should get access to your report immediately. If you request your report by phone or mail, you should receive it within 15 days.

What’s in my credit report?

Your credit report usually starts off with your personal information: your name, address, Social Security number, telephone number, employer, past address and past employer, and (if applicable) your spouse’s name. Check this information for accuracy; if any of it is wrong, correct it with the credit bureau that issued the report.

The bulk of the information in your credit report is account information. For each creditor, you’ll find the lender’s name, account number, and type of account; the opening date, high balance, present balance, loan terms, and your payment history; and the current status of the account. You’ll also see status indicators that provide information about your payment performance over the past 24 months. They’ll show whether the account is or has been past due, and if past due, they’ll show how far (e.g., 30 days, 60 days). They’ll also indicate charge-offs or repossessions. Because credit bureaus collect information from courthouse and registry records, you may find notations of bankruptcies, tax liens, judgments, or even criminal proceedings in your file.

At the end of your credit report, you’ll find notations on who has requested your information in the past 24 months. When you apply for credit, the lender requests your credit report—that will show up as an inquiry. Other inquiries indicate that your name has been included in a creditor’s prescreen program. If so, you’ll probably get a credit card offer in the mail. You may be surprised at how many accounts show up on your report. If you find inactive accounts (e.g., a retailer you no longer do business with), you should contact the credit card company, close the account, and ask for a letter confirming that the account was closed at the customer’s request.

How do lenders base the future on the past?

What all this information means in terms of your creditworthiness depends on the lender’s criteria. Generally speaking, a lender feels safer assuming that you can be trusted to make timely monthly payments against your debts in the future if you have always done so in the past. A history of late payments or bad debts will hurt you. Based on your track record, a new lender is likely to turn you down for credit or extend it to you at a higher interest rate if your credit report indicates that you are a poor risk.

Too many inquiries on your credit report in a short time can also make lenders suspicious. Loan officers may assume that you’re being turned down repeatedly for credit or that you’re up to something—going on a shopping spree, financing a bad habit, or borrowing to pay off other debts. Either way, the lenders may not want to take a chance on you.

Your credit report may also indicate that you have good credit, but not enough of it. For instance, if you’re applying for a car loan, the lender may be reviewing your credit report to determine if you’re capable of handling monthly payments over a period of years. The lender sees that you’ve always paid your charge cards on time, but your total balances due and monthly payments have been small. Because the lender can’t predict from this information whether you’ll be able to handle a regular car payment, your loan is approved only on the condition that you supply an acceptable cosigner.

How do I correct errors?

Under federal and some state laws, you have a right to dispute incorrect or misleading information on your credit report. Typically, you’ll receive with your report either a form to complete or a telephone number to call about the information that you wish to dispute. Once the credit bureau receives your request, it generally has 30 days to complete a reinvestigation by checking any item you dispute with the party that submitted it. One of four things should then happen:

- The credit bureau reinvestigates, the party submitting the information agrees it’s incorrect, and the information is corrected.
- The credit bureau reinvestigates, the party submitting the information maintains it’s correct, and your credit report goes unchanged.
- The credit bureau doesn’t reinvestigate and so the disputed information must be removed from your report.
- The credit bureau reinvestigates, but the party submitting the information doesn’t respond, and so the disputed information must be removed from your report.

(Cont. on 36)
You should be provided with a report on the reinvestigation within five days of its conclusion. If the reinvestigation resulted in a change to your credit report, you should also get an updated copy. You have the right to add to your credit report a statement of 100 words or less that explains your side of the story with respect to any disputed but unchanged information. A summary of your statement will go out with every copy of your credit report in the future, and you can have the statement sent to anyone who has gotten your credit report in the past six months. Unfortunately, though, this may not help you much—creditors often ignore or dismiss these statements.

Should You Consolidate Your Debts?

Whether you’re trying to improve your money management, having difficulty making ends meet, want to lower your monthly loan payments or just can’t seem to keep up with all your credit card bills, you may be looking for a way to make debt repayment easier. Debt consolidation may be the answer.

What is debt consolidation?

Debt consolidation is when you roll all of your smaller individual loans into one large loan, usually with a longer term and a lower interest rate. This allows you to write one check for a loan payment instead of many, while lowering your total monthly payments.

How do you consolidate your debts?

There are many ways to consolidate your debts. One way is to transfer them to a credit card with a lower interest rate. Most credit card companies offer home equity loans. You’ll need to fill out an application and demonstrate to the lender that you’ll be able to make regular monthly payments. Your home will then be appraised to determine the amount of your equity. Typically, you can borrow an amount equal to 80 percent of the value of the equity in your home. Interest rates and terms for home equity loans vary, so you should shop around and compare lenders.

Some lenders offer loans specifically designed for debt consolidation. Again, you’ll need to fill out an application and demonstrate to the lender that you’ll be able to make regular monthly payments. Keep in mind, however, that these loans usually come with higher interest rates than home equity loans and, depending on the amount you borrow, may require collateral on the loan (e.g., your car or bank account).

Advantages of debt consolidation:

• The monthly payment on a consolidation loan is usually substantially lower than the combined payments of smaller loans;
• Consolidation loans usually offer lower interest rates; and
• Consolidation makes bill paying easier since you have only one monthly payment, instead of many.

Disadvantages of debt consolidation:

• If you use a home equity loan to consolidate your debts, the loan is secured by a lien on your home. As a result, the lender can foreclose on your home if you default on the loan;
• If the term of your consolidation loan is longer than the terms of your smaller existing loans, you may end up paying more total interest even if the rate is lower. So you won’t actually be saving any money over time, even though your monthly payments will be less; and
• If you use a longer-term loan to consolidate your debts, it will take you longer to pay off your debt.

Should you consolidate your debts?

For debt consolidation to be worthwhile, the monthly payment on your consolidation loan should be less than the sum of the monthly payments on your individual loans. If this isn’t the case, consolidation may not be your best option. Moreover, the interest rate on your consolidation loan should be lower than the average of the interest rates on your individual loans. This allows you not only to save money but also to lower your monthly payment.
5 Steps for Getting Out (and Staying Out) of Debt

Are you carrying a large amount of debt? According to NerdWallet, credit card debt averages almost $15,000 in American households. The Oklahoma Society of Certified Public Accountants offers five steps to pay off outstanding balances and beat high interest costs.

1. **Spend less.** It sounds easy, but whipping out the credit card and going completely off budget can be a temptation. If tempted, leave credit cards at home and resolve to rely on cash throughout the day. Also, delete credit card information from frequently visited online merchants. That way impulse purchases are more difficult and unnecessary purchases must be reconsidered. When splurging seems inevitable, ask yourself, “Is this purchase worth the interest costs if I charge it and don’t pay my balance off immediately?” The purchase might become easier to bypass if seen as a budget buster.

2. **Build a better budget.** It’s tough to determine how much spending is too much unless you know what’s affordable. When creating a budget, add up monthly income and then subtract recurring expenses—such as rent or mortgage, food, commuting costs and any regular debt payments. Remember that spending over the remaining amount will just increase your outstanding debt balances, so be thorough.

3. **Pay off problem accounts.** With a manageable mortgage with low interest rates, make timely payments, but don’t make erasing the balance the highest priority since interest payments can be deducted if itemized. High-interest charge cards are another story. The best option is to economize enough to make higher payments in order to get rid of those balances entirely. If making higher payments isn’t an option, find a credit card that offers a lower interest rate. Aim to pay more than the minimum balance every month, without adding on any additional debt. Although paying off a low balance first might seem tempting, if the interest rate on that account is reasonable, high interest accounts should be a priority.

4. **Dedicate windfalls to debt.** It’s natural to want to spend tax refund money or a work bonus on fun. Set aside a small percentage to put toward a vacation or other indulgence and use the rest of the money to lower outstanding balances. In fact, whenever extra funds are available, earmark a portion for debt payments. Once this becomes a habit, it will also become apparent that smaller or eliminated balances are easier to maintain.

5. **Reap the rewards.** After paying off a big balance, give yourself a pat on the back and a nice reward. Think small so all of the hard work doesn’t go to waste. For example, plan a weekend away at a local amusement park instead of a week in the Caribbean. With personal incentives, a smart spending plan is easier to stick with.

Find a credit card that offers a lower interest rate. Aim to pay more than the minimum balance every month, without adding on any additional debt.
If you are unfamiliar with the terms or the process, investing can be intimidating. The important thing is to understand the rise (bull market) and fall (bear market) of stock prices, plan accordingly and seek help when you need it.

- Those at 25 should put away 15 percent of their earnings for a comfortable retirement, whereas those who don’t start saving until they’re 45 will need to put away 45 percent, a statistic that points out the key advantage to investing in stocks—time (Center for Retirement Research at Boston College, September 2014).

- Almost half—40 percent—of stocks have lost 70 percent or more of their value since 1980 (JP Morgan, 2014).

- A difference of 0.75 percent in fees equates to $30,000 less out of an example portfolio of $100,000 over a 20-year span (Investmentzen.com, May 2016)

In this chapter, you will learn the basics of investing, how compounding works, how to evaluate your portfolio, handling market volatility and more.

Get more investment advice at www.360financialliteracy.org/Topics/Investor-Education.
Understand the Basics of Investment Planning

Why do so many people never obtain the financial independence they desire? Often, it’s because they don’t take the first step—getting started. Besides procrastination, other excuses people make are that investing is too risky, too complicated, too time consuming or only for the rich.

The fact is, there’s nothing complicated about common investing techniques, and it usually doesn’t take much time to understand the basics. The biggest risk you face is not educating yourself about which investments may be able to help you achieve your financial goals and how to approach the investing process.

Know the difference between saving and investing.
Both saving and investing have a place in your finances. However, don’t confuse the two. With savings, your principal typically remains constant and earns interest or dividends. Savings are kept in certificates of deposit (CDs), checking accounts and savings accounts. By comparison, investments can go up or down in value and may or may not pay interest or dividends. Examples of investments include stocks, bonds, mutual funds, collectibles, precious metals and real estate.

Why invest?
You invest for the future, and the future is expensive. For example, college expenses are increasing more rapidly than the rate of overall inflation. And because people are living longer, retirement costs are often higher than many people expect. Though all investing involves the possibility of loss, including the loss of principal, and there can be no guarantee that any investment strategy will be successful, investing is one way to try to prepare for that future.

You have to take responsibility for your own finances, even if you need expert help to do so. Government programs such as Social Security will probably play a less significant role for you than they did for previous generations. Corporations are switching from guaranteed pensions to plans that require you to make contributions and choose investments. The better you manage your dollars, the more likely it is that you’ll have the money to make the future what you want it to be.

Because everyone has different goals and expectations, everyone has different reasons for investing. Understanding how to match those reasons with your investments is simply one aspect of managing your money to provide a comfortable life and financial security for you and your family.

What is the best way to invest?
• Get in the habit of saving. Set aside a portion of your income regularly.
• Invest in financial markets. That way your money can grow at a meaningful rate.
• Don’t put all your eggs in one basket. Though it doesn’t guarantee a profit or ensure against the possibility of loss, having multiple types of investments may help reduce the impact of a loss on any single investment.
• Focus on long-term potential. Don’t fixate on short-term price fluctuations.
• Ask questions. Become educated before making any investment.
• Invest with your head. Do not invest with your stomach or heart. Avoid the urge to invest based on how you feel about an investment.

Get started.
Organize your finances to help manage your money more efficiently. Remember, investing is just one component of your overall financial plan. Get a clear picture of where you are today. What’s your net worth? Compare your assets with your liabilities. Look at your cash flow. Be clear on where your income is going each month. List your expenses. You can typically identify enough expenses to account for at least 95 percent of your income. If not, go back and look again. You could use those lost dollars for investing. Are you drowning in credit card debt? If so, pay it off as quickly as possible before you start investing. Every dollar that you save in interest charges is one more dollar that you can invest for your future.

Establish a solid financial base: Make sure you have an adequate emergency fund, sufficient insurance coverage and a realistic budget. Also, take full advantage of benefits and retirement plans that your employer offers.

Understand the impact of time.
Take advantage of the power of compounding. Compounding is the earning of interest on interest, or the reinvestment of income. For instance, if you invest $1,000 and get a return of 8 percent, you will earn $80. By reinvesting the earnings and assuming the same rate of return, the following year you will earn $86.40 on your $1,080 investment. The following year, $1,166.40 will earn $93.31. (This hypothetical example is intended as an illustration and does not reflect the performance of a specific investment).

Use the Rule of 72 to judge an investment’s potential. Divide the projected return into 72. The answer is the number of years that it will take for the investment to double in value. For example, an investment that earns 8 percent per year will double in 9 years.

Consider working with a financial professional.
Whether you need a financial professional depends on your own comfort level. If you have the time and energy to educate yourself, you may not feel you need assistance. However, don’t underestimate the value of the experience and knowledge that a financial professional can offer in helping you define your goals and objectives, creating a net worth statement and spending plan, determining the level and type of risk that’s right for you and working with you to create a comprehensive financial plan. For many, working with a professional is the single most important investment that they make.

Review your progress.
Financial management is an ongoing process. Keep good records and recalculate your net worth annually. This will help you for tax purposes and will show you how your investments are doing over time. Once you take that first step of getting started, you will be better able to manage your money to pay for today’s needs and pursue tomorrow’s goals.
Evaluate the Risk in Your Portfolio

If you’re like most people, you probably evaluate your portfolio in terms of the return it earns. However, as we were all reminded in 2008, returns aren’t the only factor you should consider when determining whether your portfolio is allocated appropriately. Also important is the level of risk you take in pursuing those returns.

There are a number of ways to estimate the level of risk in a portfolio. The term “risk” is often used interchangeably with “volatility” (the tendency of a portfolio’s value to rise or fall sharply, especially within a relatively short period of time). However, for most people, a portfolio is simply a means to an end—paying for retirement or a child’s college tuition, for example. In that context, risk also means the risk of not meeting your financial needs.

How do I measure volatility?

One of the most common measures of volatility is standard deviation, which gauges the degree of an investment’s up-and-down moves. It shows how much the investment’s returns have deviated from time to time from its own average. The higher the standard deviation of an investment or portfolio, the bumpier the road to those returns has been.

Another way to assess a portfolio’s volatility is to determine its beta. This statistic compares a portfolio’s ups and downs to those of a benchmark index, such as the S&P 500, and indicates how sensitive the portfolio might be to overall market movements. An investment or portfolio with a beta of 1 would have exactly as much market risk as its benchmark. The higher the beta, the more volatile the portfolio is. A beta of 1.05 means the portfolio involves 5 percent more market risk than the benchmark to which it’s compared. If the benchmark rises 10 percent, a portfolio with a beta of 1.05 should theoretically rise 10.5 percent; a fall of 10 percent in the benchmark should mean a corresponding 10.5 percent decline in the portfolio. A 0.95 beta means a portfolio has 5 percent less market risk than that index; in theory, the portfolio would rise and fall 5 percent less than the benchmark. (However, remember that investments also have unique risks that are not related to market behavior. Those risks can create volatility patterns that are different from the underlying benchmark.)

How do I measure my risk?

Another way to evaluate risk is to estimate the chances of your portfolio achieving a desired financial goal. In this case, “risk” means not volatility but the odds that your portfolio will succeed in meeting a specific financial liability. A technique known as Monte Carlo simulation uses computer modeling based on multiple scenarios for how various types of investments might perform based on their past returns. Though past performance is no guarantee of future results, such a projection can estimate how close your plan might come to meeting a future target amount.

Let’s look at a hypothetical example. Let’s say Bob wants to retire in 15 years. A Monte Carlo simulation might suggest that, given his current level of saving and his portfolio’s asset allocation, Bob has a 90 percent chance of achieving his retirement target. If he chose to save more, he might increase his odds of success to 95 percent. Or Bob might decide that he’s comfortable with having an 85 percent chance of success in reaching his target amount if that also means his portfolio might be less volatile. (However, be aware that though a projection might show a high probability that you’ll reach your financial goals, it can’t guarantee that outcome.)

Are you getting paid enough to take risk?

Another approach to thinking about portfolio risk involves the reward side of the risk-reward tradeoff. You can compare a portfolio’s return to that of a relatively risk-free investment, such as the inflation-adjusted return on a short-term (three months or less) U.S. Treasury bill. Modern portfolio theory is based on the assumption that you should receive greater compensation for taking more risk (though there’s no guarantee it will work out that way, of course). A stock should offer a potentially higher return than a Treasury bond. The difference between the two returns is the equity’s risk premium. A small-cap stock that’s relatively new should offer a higher risk premium than a well-established, dividend-paying stock. While understanding risk premium doesn’t necessarily minimize risk, it can help you evaluate whether the return you’re getting is worth the risk you’re taking.

Whatever your approach to portfolio risk, understanding the nature and level of the risks you face can be critical in sticking to a long-term investing strategy.

Be aware that though a portfolio projection might show a high probability that you’ll reach your financial goals, it can’t guarantee that outcome.
Taxation of Investments

It’s nice to own stocks, bonds and other investments—until it’s time to fill out your federal income tax return. At that point, you may be left scratching your head. Just how so you report your investments and how they are taxed?

Is it ordinary income or a capital gain?

To determine how an investment vehicle is taxed, you must know what went on with the investment that year. Did it generate income, such as interest? If so, the income is probably considered ordinary. Did you sell the investment? If so, a capital gain or loss is probably involved. (Certain investments can generate both ordinary income and capital gain income, but we won’t get into that here.)

If you receive dividend income, it may be taxed either at ordinary income tax rates or at the rates that apply to long-term capital gain income. Currently, dividends paid to an individual shareholder from a domestic corporation or qualified foreign corporation are generally taxed at the same rates that apply to long-term capital gains. These rates are 15 percent for an individual in the 10 or 15 percent tax bracket that is greater than 15 percent, or 0 percent for an individual in the 10 or 15 percent marginal tax rate bracket. But special rules and exclusions apply. Some dividends (such as those from money market mutual funds) continue to be treated as ordinary income.

The distinction between ordinary income and capital gain income is important because different tax rates may apply and different reporting procedures may be involved. Here are some of the things you need to know.

Categorize your ordinary income.

Investments often produce ordinary income. Examples of ordinary income include interest and rent. Many investments—including savings accounts, certificates of deposit, money market accounts, annuities, bonds and some preferred stock—can generate ordinary income. Ordinary income is taxed at ordinary (as opposed to capital gains) tax rates.

But not all ordinary income is taxable—and even if it is taxable, it may not be taxed immediately. If you receive ordinary income, the income can be categorized as taxable, tax exempt or tax deferred.

• **Taxable income:** This is income that’s not tax exempt or tax deferred. If you receive ordinary taxable income from your investments, you’ll report it on your federal income tax return. In some cases, you may have to detail your investments and income on Schedule B.

• **Tax-exempt income:** This is income that’s free from federal and/or state income tax, depending on the type of investment vehicle and the state of issue. Municipal bonds and U.S. securities are typical examples of investments that can generate tax-exempt income.

• **Tax-deferred income:** This is income whose taxation is postponed until some point in the future. For example, with a 401(k) retirement plan, earnings are reinvested and taxed only when you take money out of the plan. The income earned in the 401(k) plan is tax deferred.

A quick word about ordinary losses: It’s possible for an investment to generate an ordinary loss, rather than ordinary income. In general, ordinary losses reduce ordinary income.

Understand what basis means.

Let’s move on to what happens when you sell an investment vehicle. Before getting into capital gains and losses, though, you need to understand an important term—basis. Generally speaking, basis refers to the amount of your investment in an asset. To calculate the capital gain or loss when you sell or exchange an asset, you must know how to determine both your initial basis and adjusted basis in the asset.

• **Initial basis:** Usually, your initial basis equals your cost or what you paid for the asset. For example, if you purchased one share of stock for $10,000, your initial basis in the stock is $10,000. However, your initial basis can differ from the cost if you did not purchase an asset but rather received it as a gift, an inheritance or in a tax-free exchange.

• **Adjusted basis:** Your initial basis in an asset can increase or decrease over time in certain circumstances. For example, if you buy a house for $100,000, your initial basis in the house will be $100,000. If you later improve your home by installing a $5,000 deck, your adjusted basis in the house may be $105,000. You should be aware of which items increase the basis of your asset and which items decrease the basis of your asset. See IRS Publication 551 for details.

Calculate your capital gain or loss.

If you sell stocks, bonds or other capital assets, you’ll end up with a capital gain or loss. Special capital gains tax rates may apply. These rates may be lower than ordinary income tax rates.

Basically, capital gain (or loss) equals the amount that you realize on the sale of your asset (i.e., the amount of cash and/or the value of any property you receive) less your adjusted basis in the asset. If you sell an asset for more than your adjusted basis in the asset, you’ll have a capital gain. For example, assume you had an adjusted basis in stock of $10,000. If you sell the stock for $15,000, your capital gain will be $5,000. If you sell an asset for less than your adjusted basis in the asset, you’ll have a capital loss. For example, assume you had an adjusted basis in stock of $10,000. If you sell the stock for $8,000, your capital loss will be $2,000.

Schedule D of your income tax return is where you’ll calculate your short-term and long-term capital gains and losses and figure the tax due, if any. You’ll need to know not only your adjusted basis and the amount realized from each sale, but also your holding period, your marginal income tax bracket and the type of asset(s) involved. See IRS Publication 544 for details.

• **Holding period:** Generally, the holding period refers to how long you owned an asset. A capital gain is classified as short term if the asset was held for a year or less, and long term if the asset was held for more than one year. The tax rates applied to long-term capital gain income are generally lower than those applied to short-term capital gain income. Short-term capital gains are taxed at the same rate as your ordinary income.

• **Marginal income tax bracket:** Marginal income tax brackets are expressed by their marginal tax rate (e.g., 15 percent, 25 percent). Your marginal tax bracket depends on your filing status and the level of your taxable income. When you sell an asset,
the capital gains tax rate that applies to the gain will depend on your marginal income tax bracket. Generally, a 0 percent long-term capital gains tax rate applies to individuals in the 10 or 15 percent tax bracket, while the long-term capital gains of individuals in the other tax brackets are currently subject to a maximum rate of 15 percent.

• **Type of asset:** The type of asset that you sell will dictate the capital gain rate that applies, and possibly the steps that you should take to calculate the capital gain (or loss). For instance, the sale of an antique is taxed at the maximum tax rate of 28 percent even if you held the antique for more than 12 months.

**Use capital losses to reduce your tax liability.**
You can use capital losses from one investment to reduce the capital gains from other investments. You can also use a capital loss against ordinary income. See your CPA for specific amounts. Losses not used can offset future capital gains. Schedule D of your federal income tax return can lead you through this process.

**Get help when things get too complicated.**
The sale of some assets are more difficult to calculate and report than others, so you may need to consult an IRS publication or other tax references to properly calculate your capital gain or loss. Also, remember that you can always seek the assistance of an CPA or other tax professional.

**Medicare contribution tax on unearned income may apply.**
High-income individuals may be subject to a 3.8 percent Medicare contribution tax on unearned income (the tax is also imposed on estates and trusts, although slightly different rules apply). The tax is equal to 3.8 percent of the lesser of:

- Your net investment income (generally, net income from interest, dividends, annuities, royalties and rents, and capital gains, as well as income from a business that is considered a passive activity), or
- The amount of your modified adjusted gross income that exceeds $200,000 ($250,000 if married filing a joint federal income tax return; $125,000 if married filing a separate return)

So, effectively, you’re subject to the additional 3.8 percent tax only if your adjusted gross income exceeds the dollar thresholds listed above. It’s worth noting that interest on tax-exempt bonds is not considered net investment income for purposes of the additional tax. Qualified retirement plan and IRA distributions are also not considered investment income.

---

**Teach Your Children About Stocks**

More and more young people are becoming fascinated by the stock market. Choosing stocks, tracking their performance and making money can be exciting, challenging and rewarding. But, as experienced investors know, the market can also be frustrating and risky, especially during volatile times. To help kids understand the risks and rewards of the stock market, parents need to talk to their children about investing.

**Explain the importance of financial goals.**
Don’t start off by trying to explain options, selling short, margin calls and other complicated concepts. Instead, begin by explaining the difference between short- and long-term financial goals and between saving and investing. To help your child understand that investing is about making money grow to meet long-term financial goals, use examples he or she will understand. For example, if your child wants to buy a new video game, he or she should focus on saving. However, if he or she hopes to buy a Harley in ten years, investing in stocks or mutual funds may be more appropriate.

**Teach them about risk and rewards.**
The safest way to make money in the stock market is to buy shares in strong companies with the potential to grow, and to hold onto them. Young investors (and older ones, too) need to understand the concept of risk versus reward — the higher the potential reward from a particular investment, the higher the risk of losing money.

**Let them test the waters.**
Before putting real money on the line, your child can test his or her stock selection skills and interest level by choosing two or three stocks and following their performance. Teach your child how to find the stock price in the newspaper financial listings or online. Each day, he or she can check to see how the stocks are doing. Watch for stories on the company and share them with your child. Discuss how the story is likely to impact the stock’s performance. Then, monitor the financial listings for changes in share price.

**Make the purchase.**
While minors can’t own stocks or open brokerage accounts in their own names, parents can set up custodial accounts under the Uniform Gifts to Minors Act or Uniform Transfer to Minors Act, depending on state laws. Simply complete a form with the child’s name and Social Security number and the name of the custodian.

You and your child should first determine the companies in which the child should invest. One of the best strategies is to select stocks in kid-friendly companies, such as McDonalds, Disney and Microsoft, that are associated with products your child identifies and knows.

Buying a small number of shares without paying high commissions can be a challenge. Some companies will let you make an initial purchase directly without going through a broker, after which you can enroll in the company’s dividend reinvestment plan (DRIP) and buy additional shares. The non-profit National Association of Investors Corp. (NAIC) has a stock purchase program that lets you buy a small number of shares in quality companies. At First Share (www.firstshare.com), you can buy a single share of stock in companies that have a direct purchase program. An online discount broker is another possibility.

By getting your kids interested in investing, you’re buying more than shares of stock. You’re teaching your child financial skills he or she can use for a lifetime.
The statistics about Americans and retirement are disappointing, to say the least. Consider this:

- About 41 percent of American households with adults ages 55 to 64 have no retirement savings whatsoever (USA Today, May 2016).

- The average 65-year-old couple retiring in 2016 will need an estimated $260,000 to cover health care costs in retirement, an increase of 6 percent from 2015 (Fidelity, August 2016).

- More than a third—36 percent—of retirees rely on Social Security as their primary source of income (ssa.gov, June 2016).

*In this chapter, you will learn how to build a more secure retirement, ways to maximize Social Security, exceptions to early retirement withdrawals and more.*

Retirement Investment Advisors designs portfolios for a lifetime.

Wherever you are on the retirement path, talking with an experienced, professional financial advisor is a step in the right direction. Retirement Investment Advisors act as fiduciaries – bound to provide objective advice based solely on your best interests. These CERTIFIED FINANCIAL PLANNER™ professionals design portfolios balanced to invest for retirement while providing asset protection with less volatility. The retirement path can be a long journey. Fortunately, the first step is easy. Simply call Retirement Investment Advisors or visit them online at TheRetirementPath.com.

For your complimentary copy of the informative booklet “The Retirement Path,” call your nearest Retirement Investment Advisors office or visit TheRetirementPath.com.
Understand the Basics of Retirement Planning

You may have a very idealistic vision of retirement—doing all of the things that you never seem to have time to do now. But how do you pursue that vision? Social Security may be around when you retire, but the benefit you get from Uncle Sam may not provide enough income for your retirement years. To make matters worse, few employers today offer a traditional company pension plan that guarantees you a specific income at retirement. On top of that, people are living longer and must find ways to fund those additional years of retirement. Such eye-opening facts mean sound retirement planning is more critical than ever.

But there’s good news: Retirement planning is easier than it used to be, thanks to the many tools and resources available. The AICPA and OSCPA offer some basic steps to get you started.

Determine your retirement income needs.

It’s common to discuss desired annual retirement income as a percentage of your current income. Depending on who you’re talking to, that percentage could be anywhere from 60 to 90 percent, or even more. The appeal of this approach lies in its simplicity. The problem, however, is that it doesn’t account for your specific situation. To determine your specific needs, you may want to estimate your annual retirement expenses.

Use your current expenses as a starting point, but note that your expenses may change dramatically by the time you retire. If you’re nearing retirement, the gap between your current expenses and your retirement expenses may be small. If retirement is many years away, the gap may be significant, and projecting your future expenses may be more difficult. Remember to take inflation into account. The average annual rate of inflation over the past 20 years has been approximately 2.4 percent. (Source: Consumer price index—CPI-U—data published by the U.S. Department of Labor, 2012.) Also, keep in mind your annual expenses may fluctuate throughout retirement. For example, if you own a home and are paying a mortgage, your expenses will drop if the mortgage is paid off by the time you retire. Other expenses, such as health-related expenses, will likely increase during your retirement years. A realistic estimate of your expenses will tell you about how much yearly income you’ll need to live comfortably.

Calculate the gap.

Once you have estimated your retirement income needs, take stock of your estimated future assets and income. These may come from Social Security, a retirement plan at work, a part-time job and other sources. If estimates show your future assets and income will fall short of what you need, the rest will have to come from additional personal retirement savings.

Figure out how much you’ll need to save.

By the time you retire, you’ll need a nest egg that will provide you with enough income to fill the gap left by other income sources. But exactly how much is enough? The following questions may help you find the answer:

• At what age do you plan to retire? The younger you retire, the longer your retirement will be, and the more money you’ll need to carry you through it.
• What is your life expectancy? The longer you live, the more years of retirement you’ll have to fund.
• What rate of growth can you expect from your savings now and during retirement? Be conservative when projecting rates of return.
• Do you expect to dip into your principal? If so, you may deplete your savings faster than if you just live off investment earnings. Build in a cushion to guard against these risks.

Build your retirement fund.

When you know roughly how much money you’ll need, your next goal is to save that amount. First, you’ll have to map out a savings plan that works for you. Assume a conservative rate of return (e.g., 5 to 6 percent), and then determine approximately how much you’ll need to save every year between now and your retirement to reach your goal.

The next step is to put your savings plan into action. It’s never too early to get started (ideally, begin saving in your 20s). To the extent possible, you may want to arrange to have certain amounts taken directly from your paycheck and automatically invested in accounts of your choice (e.g., 401(k) plans, payroll deduction savings). This arrangement reduces the risk of impulsive or unwise spending that will threaten your savings plan. In other words, out of sight, out of mind. If possible, save more than you think you’ll need to provide a cushion.

Understand your investment options.

You need to understand the types of investments that are available and decide which ones are right for you. If you don’t have the time, energy or inclination to do this yourself, hire a financial professional. He or she will explain the options and will assist in selecting investments that are appropriate for your goals, risk tolerance and time horizon. Note that many investments may involve the risk of loss of principal.

Use the right savings tools.

The following are among the most common retirement savings tools, but others are also available.

• Employer-sponsored retirement plans that allow employee deferrals (like 401(k), 403(b), SIMPLE, and 457(b) plans) are powerful savings tools. Your contributions come out of your salary as pretax contributions (reducing your current taxable income) and any investment earnings are tax deferred until withdrawn. These plans often include employer-matching contributions and should be your first choice when it comes to saving for retirement. Some plans, like 401(k), 403(b) and 457(b), can also allow after-tax Roth contributions. While Roth contributions don’t offer an immediate tax benefit, qualified distributions from your Roth account are free of federal income tax.
• IRAs, like employer-sponsored retirement plans, feature tax deferral of earnings. If you are eligible, traditional IRAs may

(Cont. on 46)
benefits. As well, such as disability, family and survivor’s benefits. The scope has expanded to include other benefits, such as disability, family and survivor’s benefits.

How does Social Security work?

The Social Security system is based on a simple premise: Throughout your career, you pay a portion of your earnings into a trust fund by paying Social Security or self-employment taxes. Your employer, if any, contributes an equal amount. In return, you receive certain benefits that can provide income to you when you need it most—at retirement or when you become disabled, for instance. Your family members can receive benefits based on your earnings record, too. The amount of benefits that you and your family members receive depends on several factors, including your average lifetime earnings, your date of birth and the type of benefit for which you are applying.

Your earnings and the taxes you pay are reported to the Social Security Administration (SSA) by your employer, or if you are self-employed, by the Internal Revenue Service. The SSA uses your Social Security number to track your earnings and your benefits.

You can estimate your retirement benefit online based on your actual earnings record using the Retirement Estimator calculator on the Social Security website, www.ssa.gov. Other benefit calculators are also available that can help you estimate disability and survivor’s benefits.

When is someone eligible for Social Security benefits?

When you work and pay Social Security taxes, you earn credits that enable you to qualify for Social Security benefits. You can earn up to 4 credits per year, depending on the amount of income that you have. Most people must build up 40 credits (10 years of work) to be eligible for Social Security retirement benefits, but need fewer credits to be eligible for disability benefits or for their family members to be eligible for survivor’s benefits.

How are retirement benefits calculated?

Your Social Security retirement benefit is based on your average earnings over your working career. Your age at the time you start receiving Social Security retirement benefits also affects your benefit amount. If you were born between 1943 and 1954, your full retirement age is 66. Full retirement age increases in two-month increments thereafter, until it reaches age 67 for anyone born in 1960 or later.

But you don’t have to wait until full retirement age to begin receiving benefits. No matter what your full retirement age, you can begin receiving early retirement benefits at age 62. There is one advantage: Although you’ll receive a reduced benefit if you retire early, you’ll receive benefits for a longer period than someone who retires at full retirement age.

You can also choose to delay receiving retirement benefits past full retirement age. If you delay retirement, the Social Security benefit that you eventually receive will be as much as 6 to 8 percent higher. That’s because you’ll receive a delayed retirement credit for each month that you delay receiving retirement benefits, up to age 70. The amount of this credit varies, depending on your year of birth.

What are disability benefits?

If you become disabled, you may be eligible for Social Security disability benefits. The SSA defines disability as a physical or mental condition severe enough to prevent a person from performing substantial work of any kind for at least a year. This is a strict definition of disability, so if you’re only temporarily disabled, don’t expect to receive Social Security disability benefits—benefits won’t begin until the sixth full month after the onset of your disability. And because processing your claim may take some time, apply for disability benefits as soon as you realize that your disability will be long term.

How are family benefits determined?

If you begin receiving retirement or disability benefits, your family members might also be eligible to receive benefits based on your earnings record. Eligible family members may include:

- Your spouse age 62 or older, if married at least 1 year;
- Your former spouse age 62 or older, if you were married at least 10 years;
- Your spouse or former spouse at any age, if caring for your child who is under age 16 or disabled;
- Your children under age 18, if unmarried;
- Your children under age 19, if full-time
students (through grade 12) or disabled; or
• Your children older than 18, if severely
  disabled.

Each family member may receive a benefit that is as much as 50 percent of your benefit. However, the amount that can be paid each month to a family is limited. The total benefit that your family can receive based on your earnings record is about 150 to 180 percent of your full retirement benefit amount. If the total family benefit exceeds this limit, each family member’s benefit will be reduced proportionately. Your benefit won’t be affected.

What are survivor’s benefits?
When you die, your family members may qualify for survivor’s benefits based on your earnings record. These family members include:
• Your widow(er) or ex-spouse age 60 or older
  (or age 50 or older if disabled);
• Your widow(er) or ex-spouse at any age,
  if caring for your child who is under 16 or
disabled;
• Your children under 18, if unmarried;
• Your children under age 19, if full-time
  students (through grade 12) or disabled;
• Your children older than 18, if severely
disabled; and
• Your parents, if they depended on you for at
  least half of their support.
• Your widow(er) or children may also receive
  a one-time $255 death benefit immediately
  after you die.

How can you apply for Social Security benefits?
You can apply for Social Security benefits in person at your local Social Security office. You can
also begin the process by calling (800) 772-1213 or by filling out an online application on the Social
Security website. The SSA suggests you contact its representative the year before the year you plan
to retire, to determine when you should apply and begin receiving benefits. If you’re applying for
disability or survivor’s benefits, apply as soon as you are eligible.

Depending on the type of Social Security benefits for which you are applying, you will be
asked to furnish certain records, such as a birth certificate, W-2 forms and verification of your
Social Security number and citizenship. The documents must be original or certified copies. If any of
your family members are applying for benefits, they will be expected to submit similar
documentation. The SSA representative will let you know which documents you need and help
you get those you don’t already have.

Do You Know the Difference Between Medicare and Medicaid?

Medicare and Medicaid were signed into law to protect older and poorer Americans against the high cost
of health care. Ironically, it’s the high cost of providing health care through these programs that now threatens federal and state budgets, leading to calls for Medicare and Medicaid reform. Although these programs are often lumped together, they function quite differently.

What is Medicare?
Medicare is a health insurance program funded and run by the federal government that guarantees health coverage to older Americans. Medicare is not income-based. People who have paid Medicare taxes on their earnings are automatically eligible at age 65, but some people with disabilities qualify for Medicare coverage earlier than age 65 and people with end-stage renal disease qualify at any age.

Medicare offers three main types of coverage. Part A covers inpatient hospital care, as well as short-term skilled nursing care, hospice care and home health care under certain conditions. Part B covers medical services such as doctor’s visits, outpatient care and laboratory tests. Part D covers prescription drugs. If you or your spouse has paid Medicare taxes while working, you generally won’t pay a premium for Medicare Part A coverage, but you’ll pay a premium if you want to enroll in Part B or in some (but not all) Part D plans. You’ll also need to pay certain out-of-pocket costs such as deductibles, co-payments or coinsurance costs, depending on the types of coverage you have.

What is Medicaid?
Medicaid is a health insurance program funded by both the federal government and state governments to provide coverage to Americans of all ages who have low incomes and no health insurance. States administer their own Medicaid programs under federal guidelines. They must cover individuals on public assistance, generally individuals who are eligible for both programs are older or disabled (or both) and Medicaid.

Can you be eligible for both Medicare and Medicaid?
Yes. If you’re eligible for both programs, you’re known as a “dual eligible” beneficiary. Generally, individuals who are eligible for both programs are older or disabled (or both) and need help paying their Medicare costs because they have very low incomes. Medicaid covers premiums, deductibles, co-payments, coinsurance and other Medicare costs and provides some health benefits that Medicare does not. Individuals in nursing homes are often dual eligible beneficiaries, and that’s
partly behind the misconception that Medicare pays for nursing home or other long-term care. Instead, Medicaid is the primary payer of nursing home bills. Because many older individuals cannot afford the high cost of nursing home care and exhaust their savings, they eventually become eligible for Medicaid.

For more information, visit the Centers for Medicare & Medicaid Services website at www.cms.gov.

### Medicare

- Primarily age-based; individuals age 65 and older qualify, along with some individuals with disabilities
- The federal government runs Medicare, and the program is the same for all Americans
- Financing comes from federal funds; partly financed through payroll taxes and premiums
- Medicare Part A provides coverage for hospital stays; Medicare Part B covers the cost of doctor’s bills, laboratory costs, and some outpatient costs; Medicare Part D covers some prescription drug costs
- Medicare beneficiaries may pay deductibles, co-payments, coinsurance costs, and premiums

### Medicaid

- Primarily means-based; individuals of any age with low incomes who meet eligibility requirements may qualify
- State governments run programs under federal guidelines, so programs vary from state to state
- Financing comes from federal, state, and local revenue
- Broader coverage of health costs than Medicare, including inpatient and outpatient care, prescription drugs, laboratory costs, family planning, and nursing home care (types of coverage may vary from state to state)
- Medicaid generally pays all approved charges, though a small deductible or co-payment may be required

**Forget to Save for Retirement? Here’s How to Catch Up.**

Will you have enough to live on during your golden years? According to an Employee Benefit Research Institute survey, roughly one-quarter of Americans are not sure they will have sufficient funds for a comfortable retirement and only 22 percent are very confident they will. Many people work hard for years, doing a good job paying bills and covering life’s many unexpected costs, but they may not think about retirement savings until their last day at work is only a few years down the road. If you’re uncertain about whether you’ll have sufficient cash to fund the retirement you’re planning, the AICPA and OSCPA offer three important tips.

1. **Know what you’ll need.** Just how much is enough? The amount of money you need for a secure retirement varies based on numerous individual circumstances and many personal factors, including where and how you plan to live and any medical issues that affect your longevity. If you’re close to retirement and able to anticipate your needs, then it may make sense to develop a detailed budget that tracks your future monthly cash requirements. If you plan to downsize or move to an area with a lower cost of living, those changes should be taken into account. You should also prepare for the possibility of rising health care costs or paying for technology, travel or other items your company might have previously picked up for you. Share your budget with your CPA and ask what steps you need to take to ensure you can cover all retirement costs.

2. **Consider catch-up contributions.** If it’s time to ramp up your retirement savings, the good news is tax laws can actually make it easier for you. If you’re 50 or older, you can set aside a little more in tax-advantaged retirement plans, using annual catch-up contributions. With a 401(k), 403(b) and most 405(b) plans, you can normally contribute up to $18,000 annually, but once you pass age 49, you can add another $6,000. For a Roth or traditional IRA, the base maximum is $5,500, but rises by another $1,000 if you’re 50 or older. Also, don’t overlook the significant opportunity open to small business owners who qualify to set up a Simplified Employee Pension IRA (SEP). With a SEP, you can contribute up to 25 percent of your compensation, to a maximum of $53,000. With SEP plans, the amount you contribute is deductible, which lowers your taxable income. However, catch-up contributions are not permitted. If you’re running behind on retirement savings, talk to your CPA about your tax-advantaged options for catching up.

3. **Reset your deadline.** Although age 65 was once considered the accepted retirement age, more people are working well beyond that age. If you choose to do so, even part time, not only will you have more time to add to your nest egg, but you could also qualify for higher Social Security payments. You can begin collecting Social Security benefits as early as age 62, but taking payments before you reach the full-retirement age can lower your payments by as much as 30 percent. However, if you were born after 1942 and continue working after the full-retirement age, you can increase your checks by 8 percent for each year you delay taking Social Security benefits until age 70.
Going Back to Work After You Retire?
Here’s How Social Security, Taxes and Health Care Could Be Affected.

The old notions about retirement have, well, retired. Rather than leaving work at age 65 and going fishing or focusing on gardening, many retirees are celebrating retirement by going back to work.

According to a January 2015 Gallup poll, 80 percent of boomers in their 50s are in the workforce; 50 percent of boomers in their 60s are in the workforce and 30 percent of boomers ages 67 to 68 are working. Either by design or out of financial need, boomers are working longer, but not all of them want or need to maintain full-time positions. One in 10 baby boomers works part-time, a statistic that may increase as employers discover the magical mix of benefits that will keep high-performing boomers contributing to their bottom lines. Additionally, Gallup reports that boomers are one of the fastest growing groups of entrepreneurs because many look for an encore career after retirement.

Regardless of the reason, it’s important to understand how going back to work might impact retirement benefits and taxes.

Individuals thinking about returning to the workforce after retiring need to learn if and how Social Security benefits, health insurance and taxes will be affected so they don’t lose benefits or end up in a higher tax bracket.

Going Back to Work After You Retire?
Here’s How Social Security, Taxes and Health Care Could Be Affected.

1. Social Security Benefits: If you’re aged 62 or older, you may have already decided to start receiving retirement benefits. However, if you get a new job and expect your income to increase, you’re required to notify the Social Security Administration (SSA). If you receive benefits, but are not yet at full retirement age (as defined by the SSA), some of your benefits may be reduced if you earn more than the annual income limit (which is $15,720 in 2015). Generally, for every two dollars you earn above the annual limit, your benefits are reduced by one dollar.

The SSA full retirement age has been gradually increasing, but it’s currently between 65 and 67 years old, depending on the year you were born (it is age 67 for everyone born in 1960 and later). If you’re at the year when you will reach your full retirement age, but haven’t had your birthday yet, your benefits will decrease, but not by as much. Benefits will be reduced by one dollar for every three dollars you earn above the annual limit ($41,880 in 2015), until your birthday. You can estimate how much your annual benefits will be reduced by using the online Retirement Earnings Test Calculator at www.ssa.gov. Once you reach full retirement age, your benefits will no longer be reduced, no matter how much money you earn.

If you return to work after starting to receive benefits, you may be able to receive a higher benefit based on those earnings. The SSA automatically re-computes your benefit amount after the additional earnings are credited to your earnings record. Moreover, you can repay all SSA benefits collected to date with no interest, and the benefits will be reset to a higher number based on your current age and past earnings.

2. Income Tax: Going back to work might mean more money, but it also might bump you into a higher tax bracket. In addition, extra distributions or benefits received on top of your salary may count as additional income. You could also find yourself in a higher tax bracket by taking pension distributions on top of a regular salary or by collecting Social Security benefits while you continue working. You should consider having a CPA crunch the numbers to see how close your current income is to the next tax bracket. As much as 85 percent of your Social Security benefits can be taxable if your other income, including tax exempt interest plus half of your Social Security, exceeds the threshold. According to the online Benefit Planner at www.ssa.gov, if you:

- File a federal tax return as an “individual” and your combined income is
  - Between $25,000 and $34,000, you may have to pay income tax on up to 50 percent of your benefits.
  - More than $34,000, up to 85 percent of your benefits may be taxable.

- File a joint return, and you and your spouse have a combined income that is
  - Between $32,000 and $44,000, you may have to pay income tax on up to 50 percent of your benefits
  - More than $44,000, up to 85 percent of your benefits may be taxable.

- Are married and file a separate tax return, you probably will pay taxes on your benefits.

3. Health Care: Health insurance is one of the biggest reasons many people under age 65 remain employed or return to the workforce. If you’re age 65 or older and already covered by Medicare, check with your employer’s human resources department about how the insurance coverage would work with your Medicare. You can also view the online publication Medicare and Other Health Benefits: Your Guide to Who Pays First at www.medicare.gov. According to its website, Medicare Part B insurance premiums range from $104.50 to $335.70 per month as adjusted gross income ranges from $85,000 (single filers or married filing single) to $214,000 (single filers or married filing jointly) to $170,000 (married filing jointly) to $214,000 (single filers), $129,000 (married filing single) or $428,000 (married filing jointly). If you have private health insurance, carefully compare your benefits and coverage to what might be available from your new employer. Although group plans tend to be cheaper than individual policies, it might make sense to keep what you have rather than cancelling and re-applying at a later date. This is especially true if you have retiree health insurance from a former employer.

4. Pension Plans and Retirement Accounts: Returning to work will likely ease your financial situation and allow you to delay
accessing your 401(k) account. If you have a traditional pension plan or IRA, rules will vary. Check with your pension plan provider and the human resources department at your company to see if returning to work will impact your benefits, especially if you’re returning to the same employer. The 401(k) rules get more restrictive for business owners with ownership interest exceeding 5 percent. Working past age 70 doesn’t affect the required minimum distribution (RMD) rules for traditional IRAs—RMDs are still required and will generally be taxed as ordinary income. There are no RMD requirements for Roth IRAs.

There are many variables involved in returning to work and evaluating the short- and long-term tax impacts, Social Security benefits and health care. A CPA can help you analyze your current situation and determine the best course of action with regard to your personal financial plan.

4 Ways Women Can Build a Secure Retirement

Women carry a lot of responsibilities on their shoulders, and considerations like saving for retirement can easily fall through the gaps. In a survey by BlackRock, only 53 percent of women have been putting away money for retirement, as compared to 65 percent of men. Even worse, those women who are saving for retirement put back less than half of what men do. The Oklahoma Society of Certified Public Accountants offers four tips for women who want to ensure they are on track for a secure future.

1. **Consider the long(er) term.** Women should be prepared to save more than men because, on average, women live longer. According to the Social Security Administration, a man turning 65 now can expect to live to about 84, while a woman reaching 65 might live to nearly 87. With improving health and longevity among older people, your retirement strategy should be based on a realistic assessment of how long your money needs to last. While it’s always advisable to begin saving early and to set aside an appropriate amount, this would be especially true for women because of their longer life expectancy.

2. **Factor in earnings gaps.** One hurdle women must consider is the possibility that they will have to take maternity leave or work part-time at some point during their careers in order to juggle family responsibilities. In fact, according to the BlackRock survey, only about one-half of women between the ages of 25 and 44 are working full time, which could leave them with much less in savings than their male counterparts. Women also continue to earn less, getting about 78 cents for every dollar earned by men, according to the Institute for Women’s Policy Research. No matter how your employment changes, CPAs advise that you take advantage of any employer retirement plans when you are working. If the employer offers matching contributions, at a minimum, contribute enough to qualify for the highest possible match. If you’re not working, find out if you’re eligible to contribute to an IRA. For those who are self-employed, investigate the benefits of Simplified Employee Pension (SEP) and SIMPLE retirement plans. There are plenty of opportunities to pump up your retirement savings, so be sure to take them.

3. **Strategize your Social Security.** Your earnings history will also have an impact on your Social Security retirement benefits. At the Social Security Administration site, you can create an account to find out what your benefit payments will be and use the benefit calculators. For example, you can figure how your age at retirement will affect your payment and how spouses can plan to make the most of their benefits.

4. **Be aware of your risk tolerance.** When you invest, do you typically look for high-performing stocks and bonds or more reliable ones, such as Treasury bills or money market funds? Your answer to that question can help you get a sense of your risk tolerance when it comes to investing. That’s important because a lower risk tolerance may mean that your money may grow more slowly over time, leaving you with a smaller nest egg. Dodging unnecessary risk is not necessarily a bad thing, since it can help you avoid losses on your money. Knowing your own approach to risk can help you estimate how quickly your money will grow and how much you need to put away in order to meet your retirement goals.
Understand the Economics of Borrowing from Your 401(k)

When times are tough, that pool of dollars sitting in your 401(k) plan account may start to look attractive. However, before you decide to take a plan loan, be sure you understand the financial impact. It’s not as simple as you think.

Know the basics of borrowing.

A 401(k) plan will usually let you borrow as much as 50 percent of your vested account balance, up to $50,000. (Plans aren’t required to let you borrow, and may impose various restrictions, so check with your plan administrator.) You pay the loan back, with interest, from your paycheck. Most plan loans carry a favorable interest rate, usually prime plus one or two percentage points. Generally, you have up to five years to repay your loan, longer if you use the loan to purchase your principal residence. Many plans let you apply for a loan online, making the process quick and easy.

You pay the interest to yourself.

When you make payments of principal and interest on the loan, the plan generally deposits those payments back into your individual plan account (in accordance with your latest investment direction). This means you’re not only receiving back your loan principal, but you’re also paying the loan interest to yourself instead of to a financial institution. However, the benefits of paying interest to yourself are somewhat misleading.

Here’s why: To pay interest on a plan loan, you first need to earn money and pay income tax on those earnings. With what’s left over after taxes, you pay the interest on your loan. That interest is treated as taxable earnings in your 401(k) plan account. When you later withdraw those dollars from the plan (at retirement, for example), they’re taxed again because plan distributions are treated as taxable income. In effect, you’re paying income tax twice on the funds you use to pay interest on the loan. (If you’re borrowing from a Roth 401(k) account, the interest won’t be taxed when paid out if your distribution is “qualified”—i.e., it’s been at least five years since you made your first Roth contribution to the plan, and you’re 59½ or disabled.)

However, consider the opportunity cost.

When you take a loan from your 401(k) plan, the funds you borrow are removed from your plan account until you repay the loan. While removed from your account, the funds aren’t continuing to grow tax deferred within the plan. So the economics of a plan loan depend in part on how much those borrowed funds would have earned if they were still inside the plan, compared to the amount of interest you’re paying yourself. This is known as the opportunity cost of a plan loan, because by borrowing you may miss out on the opportunity for additional tax-deferred investment earnings.

Consider other factors.

There are other factors to think about before borrowing from your 401(k) plan. If you take a loan, will you be able to afford to pay it back and continue to contribute to the plan at the same time? If not, borrowing may be a very bad idea in the long run, especially if you’ll wind up losing your employer’s matching contribution.

Also, if you leave your job, most plans provide that your loan becomes immediately payable. If you don’t have the funds to pay it off, the outstanding balance will be taxed as if you received a distribution from the plan, and if you’re not yet 55 years old, a 10 percent early payment penalty may also apply to the taxable portion of that “deemed distribution.”

Still, plan loans may make sense in certain cases (for example, to pay off high-interest credit card debt or to purchase a home). But make sure you compare the cost of borrowing from your plan with other financing options, including loans from banks, credit unions, friends and family. To do an adequate comparison, you should consider:

• Interest rates applicable to each alternative;
• Whether the interest will be tax deductible (for example, interest paid on home equity loans is usually deductible, but interest on plan loans usually isn’t); and
• The amount of investment earnings you may miss out on by removing funds from your 401(k) plan.
own financial situation. Continue to review your investment choices even when you retire to ensure your money is growing as you expected, that your annual withdrawals are still reasonable and that your funds are on track to last as long as you need them.

Mistake #3: Don’t factor in taxes.
Most people assume their taxes will decrease when they retire, but that may not necessarily be the case. For example, many retirees take on part-time jobs. That income, combined with income from taxable investment accounts, might create a situation where your tax rate is actually the same or even higher than when you were working full time. On another front, if your children are now grown and your mortgage is now paid off, you’ll lose tax breaks and deductions you previously received. Once again, you’ll have more taxable income as a result. Finally, it’s difficult to predict whether tax rates will increase, decrease or remain the same over time, but there’s a decent chance they may be higher when you’re in retirement than they are now for current retirees.

Mistake #4: Don’t get help or don’t get the right help.
These are just a few of the many considerations that should be taken into account in your retirement planning. For a thorough review of retirement planning considerations and practical advice you can use, contact your local CPA. When you’re looking for expert financial advice, be sure and find out what credentials that person holds and what kind of education and training goes into obtaining and retaining those credentials. Many CPAs, in addition to being tax experts, are financial planning and retirement planning experts. For example, a Personal Financial Specialist (PFS) is a credential for a CPA who specializes in various areas of financial planning. In order to receive the credential, CPAs must pass the PFS Exam — a comprehensive financial planning exam that covers all of the planning process and professional responsibilities and disciplines that make up personal financial planning, including tax, estate, retirement, investments and insurance planning as well as a few niche areas like employee benefits, education, and elder planning. For a free referral and free 30-minute consultation with a CPA, including ones who specialize in retirement planning, visit www.FindYourCPA.com.


3 Questions to Ask About Reverse Mortgages
One retirement planning resource that has gained interest in recent years is the reverse mortgage, which allows you to convert part of a home’s equity into cash without paying additional monthly bills. If you’re 62 or older and want money to pay off your mortgage or to help pay for other expenses, you might consider a reverse mortgage. Consider these three questions to decide if a reverse mortgage is right for you.

1. What is a reverse mortgage? A reverse mortgage is a type of home loan that allows you to convert a portion of your home’s equity into cash. Reverse mortgages take part of the home’s equity and converts it into payments — a type of advanced payment on home equity where money received is usually tax-free. Generally, the money doesn’t have to be repaid, as long as you live in the home. However, you or your estate must repay the loan when you move to a new home or pass away.

2. What kind of reverse mortgage can I get?
• Single-purpose reverse mortgages: This is the least expensive option and most homeowners with low or moderate income can qualify. The loan can only be used for one purpose, which is specified by the lender (i.e., home repairs). Single-purpose reverse mortgages are offered by some state and local government agencies, as well as non-profit organizations, but they’re not available everywhere. Check with your financial advisor to see what options are available in your state.

• Proprietary reverse mortgages: Also known as private company reverse mortgages, proprietary reverse mortgages are backed by companies that develop them, not federally insured and typically designed for borrowers with higher home values. If you own a higher-valued home, you may receive a higher loan advance and qualify for more funds with this type of loan.

• Home equity conversion mortgages (HECMs): These are federally-insured and can be used for any purpose — from supplementing retirement income to covering daily living expenses, to preventing foreclosure on your home. These loans tend to be the most popular and are backed by the U. S. Department of Housing and Urban Development (HUD).

3. Is a reverse mortgage right for me? There are pros and cons of a reverse mortgage, and only you can determine the right decision. Because there isn’t a specific income requirement on reverse mortgages, you are likely to pay higher fees and interest rates with these loans. Reverse mortgages can make leaving a home to an heir difficult because the loan must be repaid once you die. This usually means selling the home or using inheritance to pay off the loan. In many cases, a reverse mortgage isn’t worthwhile because of these drawbacks.

However, if you need cash for retirement expenses, you might want to explore a reverse mortgage. These loans can help ease financial strains, especially if a large portion of money is locked into a home. Ultimately, the pros and cons need to be weighed and applied to your situation. You may want to consult your financial advisor to make sure you’re making the best decision for your financial situation.
Nobody likes to think about dying, but eventually, it will happen to all of us. What will happen to your assets or your loved ones when you’re gone? Consider this:

- More than half—55 percent—of Americans die without a will or estate plan (American Bar Association, 2014).
- The number of American adults with living wills increased between 2004 and 2007, rising from 31 percent to 41 percent (LexisNexis, as quoted by LegalZoom.com, 2008).
- Thirty-eight percent of American adults have a health care power of attorney (LexisNexis, as quoted by LegalZoom.com, 2008).

In this chapter, you will learn why everyone needs estate planning, trust and life insurance basics, how probate works and more.


This chapter is sponsored by Donna J. Jackson, CPA, Attorney at Law.

Donna J. Jackson, CPA, JD, is a nationally recognized attorney, speaker and educator in estate planning, probate and elder law. Ms. Jackson is a CPA and holds a master’s degree (LL.M.) in elder law. She has more than 25 years of legal experience and limits her practice to estate planning with an emphasis on Medicaid, VA benefits and special needs planning, including trusts, special needs trusts, wills, durable power of attorneys and living wills. In addition, Ms. Jackson’s practice includes taxes: corporate, trust, individual, gift and estate; probates and business organizations, including corporations, limited partnerships and limited liability companies. Learn more at www.OKCEstateLawyer.com.
Why Do I Need Estate Planning?

By Donna J. Jackson, CPA, Attorney at Law

Believe it or not, you have an estate. In fact, nearly everyone does. Your estate is comprised of everything you own - your car, home, other real estate, checking and savings accounts, investments, life insurance, furniture and personal possessions. No matter how large or modest, everyone has an estate and something in common—you can’t take it with you when you die.

When that happens—and that is a “when” and not an “if”—you probably want to control how those things are given to the people or other organizations you care about. To ensure your wishes are carried out, you need to provide instructions stating who you want to receive something of yours, what you want them to receive and when they are to receive it. You will, of course, want this to happen with the least amount paid in taxes, legal fees and court costs.

That is estate planning—making a plan in advance and naming who you want to receive the things you own after you die. However, good estate planning is much more than that. It should also:

- Include instructions for passing your values (religion, education, hard work, etc.) in addition to your valuables;
- Include instructions for your care if you become disabled before you die;
- Name a guardian and an inheritance manager for minor children;
- Provide for family members with special needs without disrupting government benefits;
- Provide for loved ones who might be irresponsible with money or who may need future protection from creditors or divorce;
- Include life insurance to provide for your family at your death, disability income insurance to replace your income if you cannot work due to illness or injury, and long-term care insurance to help pay for your care in case of an extended illness or injury;
- Provide for the transfer of your business at your retirement, disability or death;
- Minimize taxes, court costs and unnecessary legal fees; and
- Be an ongoing process, not a one-time event. Your plan should be reviewed and updated as your family and financial situations (and laws) change over your lifetime.

Elder law and special needs planning are intertwined with estate planning and are defined more by the clients to be served than technical and legal distinctions. Elder law takes into account not only the estate planning needs of a client but also their needs as it is related to their age. Likewise, special needs planning not only take into account the estate planning needs of a client but also their needs as they are related to the client’s disabilities.

Hiring an attorney who is knowledgeable in all three areas will assure that the client’s general estate planning needs and their individualized needs are met. For elder law clients, this may involve planning for long-term care needs including nursing home care and coordinating private and public resources to finance the cost of that care. For special needs clients, that may include court procedures such as obtaining guardianship. It is important (not to mention more convenient) to be able to comprehensively plan with one firm.

Understand the basics.

A. Living Will/Advance Health Care Directive: a living will, also known as an advance health care directive, outlines the medical procedures a person wants pursued if they become too ill to state their wishes on their own. A living will specifies which steps should be taken in different medical situations. For example, if a person is in an irreversible coma, they can direct in a living will whether or not they want to continue receiving artificial nutrition and hydration via feeding tubes or if they’d prefer to pass away naturally without artificial nutrition and hydration. A living will not only speaks for a person when they cannot speak for themselves, but it also relieves the health care power of attorney or family members from having to make the decision to “pull the plug” or keep the person on life support. Instead, they can simply follow the person’s wishes as outlined in their living will.

B. Health Care Power of Attorney: While a living will/advance directive for health care provides guidance for loved ones in “end-of-life” situations, it does not provide anyone the power to make every day decisions, such as which medication a person should be taking or which medical services should be employed. That’s where the health care power of attorney comes in. A health care power of attorney (also known as an attorney-in-fact, health care proxy or health care agent) is an agent who is appointed to make necessary health care decisions on a person’s behalf when they are unable to speak for themselves. A health care power of attorney can be as expansive or limited as a person chooses. For instance, a person can specify whether or not their agent should be required to follow the wishes outlined in their living will or if the agent can set those wishes aside at their discretion.

C. Health Insurance Portability and Accountability Act (HIPAA): The Health Insurance Portability and Accountability Act (HIPAA) is a federal privacy rule intended to protect private health information from being revealed to third parties without authorization. Accordingly, a HIPAA Authorization is required by the Privacy Rule if a client wishes for third parties (family, friends, etc.) to be able to access their protected health information. A HIPAA Authorization not only gives covered health care entities permission to disclose protected health information to a designated third party, but also the ability to use protected health information for specified purposes other than treatment, payment, or health care operations. Executing a HIPPA authorization is vital to empowering the health care power of attorney and other family members or friends to access protected health information when the client is not able to release it themselves, usually because they are incapacitated. Without access to protected health information or a health care power of attorney, family members or friends may not have access to the information they need to make informed decisions about health care.
D. Financial Durable Power of Attorney: A financial durable power of attorney (DPOA) is a limited power of attorney that allows a client to appoint an agent to manage their financial affairs and conduct business during the client’s absence or incapacity. The DPOA can be as broad or limited in scope as the client wishes or can be activated either upon incapacity or immediately upon signing the document. A person can also execute a DPOA that will only become effective upon incapacity while reserving the option to sign a certificate of authorization activating the powers of their agent at any time.

E. Last Will and Testament: A last will and testament is a vital estate planning document that allows a person, rather than the law in the state in which they live, to control how his or her estate and belongings get divided. Additionally, it can allow someone to “pour over” assets into a trust (also known as a pour-over will) and plan for the care of minor children. In a last will and testament, a client can appoint a guardian for minor children, born or unborn, and can also designate that assets be held in trust for the care of said children until they reach a certain age, graduate from college, etc.

F. Trusts: A question estate planners often hear is, “Why do I need a trust if I already have a will?” There are several reasons why. For starters, if a person has minor children and leaves all of his or her money and belongings to the children, if you don’t have a trust, the money typically gets distributed outright to the children. Hopefully, the other parent or legal guardian is an honest person because that person will likely be in control of managing the money until a child is no longer a minor. Or, consider a scenario where a child is 18 and does have control over his or her inheritance. What would you have done with $20,000 at the age of 18? On the other hand, a trust can direct that the child’s inheritance be held in the trust and managed by a reliable person until the child reaches a certain age or obtains certain goals (e.g., a college degree).

Another great thing about having a trust is that it can allow a person to avoid probate. Probate is the legal process where family members or friends of a deceased person must often go through to obtain the assets of a person who died without a trust. Not only can probate be extremely expensive, it also very time-consuming and tedious. The person who is appointed to be responsible for the estate must inventory all of the deceased’s assets, file accounting with the court, notify and deal with creditors, open estate bank accounts and transfer assets to the heirs or beneficiaries. This can be very burdensome on the friend or family member handling the deceased person’s estate. Not to mention, once a probate for an estate is filed with the court, most of the documents containing information about a person’s assets become a matter of public record.

G. Transfer on Death Deeds: Transfer on death deeds (TODs) can allow people with smaller estates to avoid probate without a trust or even a last will and testament. Essentially, a TOD is a legal document filed in the County Clerk’s office in the county where a person lives that designates a beneficiary to whom their real property (i.e., your house) should be transferred to upon death. The appealing aspect of a TOD for a client is that it is typically much cheaper than hiring an attorney to draft a trust. However, TODs have their limits! For instance, in Oklahoma the beneficiary must file a death certificate and an affidavit proving the client’s death within nine (9) months of the date of death. Otherwise, the beneficiary loses their right to inherit the client’s real property via the TOD. Also, TODs do not provide for the distribution of any assets other than the real property while a will and trust can provide for the distribution of everything.

H. Payable on Death Designations for Bank Accounts: A second vehicle that will allow probate avoidance without a trust or a will
Estate Planning Issues for Unmarried Couples

There are several laws that are potentially beneficial to married couples that are not available to unmarried partners, especially when it comes to estate planning. That’s why it’s important to recognize the risks faced by unmarried partners and some potential ways to help mitigate them.

**Wills or trusts:** All states have probate laws that provide some protections for the surviving spouse, but generally no such protections exist for a surviving domestic partner. Therefore, it’s vitally important for live-in partners to prepare estate planning documents including wills and, in some cases, trusts. Through wills and trusts, you can provide for the financial support of your surviving partner after your death.

**Titling assets:** How your assets are titled can determine their disposition upon your death. For example, if you want your partner to receive your home at your death, you could title it in both names as joint tenants with rights of survivorship. However, retitling your home in this manner gives your partner ownership rights in the property. Also, depending on the value of the home, there may be gift tax implications, and the home may be exposed to claims of your partner’s creditors.

While you could simply leave your home to your partner through your will or trust, you may want other family members to ultimately receive the home after your partner dies. In this case, you could create a life estate for your partner, allowing him or her the right to remain in the home for life, while naming other beneficiaries to receive title to the property at the death of your partner.

**Beneficiary designations:** Certain types of assets allow for their transfer at death through beneficiary designations. IRAs, life insurance, annuities, and 401(k)s are some examples. However, it’s important to remember that generally, the beneficiaries named in these assets will receive them at your death, even if you make other provisions in your will or trust. So be sure your beneficiary designations are current and comply with your wishes.

**Power of attorney and health-care documents:** A durable power of attorney is a legal document that allows you to authorize someone to carry on your financial affairs and protect your property if you are unable to do so during a period of incapacity. Without this type of authorization, the courts may appoint one or more persons to act on your behalf. This proceeding can be expensive and time consuming, and you may not have any control over the person(s) appointed by the court. More importantly, your partner may not have access to needed financial support through your assets.

A health care power of attorney or healthcare proxy is a legal document in which you give your appointed agent the right to make certain health care decisions on your behalf if you are unable to do so. Without this document, doctors and hospitals often rely on family members to make health care decisions for someone who’s incapacitated. Often state law does not recognize unmarried couples as family, so if you want your partner to be able to make these decisions on your behalf, you should name your partner as your health-care agent.

**Domestic partnership agreement:** Generally, the law does not always spell out the financial rights and responsibilities of domestic partners. To address these issues, live-in partners can use a domestic partnership agreement (if recognized in their state), which is a contract that addresses the sharing of income, expenses, and property.

Unmarried couples face potential estate planning pitfalls. And state laws vary, so it’s important to consult an estate planning attorney or personal financial specialist (PFS) who is familiar with state and federal laws that affect unmarried couples.

How Does Probate Work?

By Donna J. Jackson, CPA, Attorney at Law

The probate process can be confusing and very cumbersome for the pro se client, which is why it’s recommended to consult an attorney if you find yourself in a position needing to probate the estate of a loved one. Probate is a court process that family members often face when a loved one has passed away without a trust-based estate plan in place. Unfortunately, simply having a will won’t avoid probate in Oklahoma.

Probate generally includes:

- Proving in court that the deceased person’s will is valid (if that person had a will);
- Identifying the heirs of the deceased person’s estate and the shares they are entitled to receive;
- Collecting and determining the value of the deceased person’s property;
- Insuring the debts and taxes of the deceased person are paid from the estate; and
- Distributing the remaining property in the estate as the will, or the laws of intestacy, directs.

In Oklahoma, the probate process can take anywhere from several months to several years, depending on the complexity of the case. You should find an attorney you trust who is prepared to walk you through the probate process and provide you with all of the assistance you need so your loved one’s estate can be managed efficiently and effectively.
Do I Need an Attorney to Prepare My Will?

Legally, no. Practically speaking, yes. A will does not need to be prepared by an attorney for it to be legally effective. A will that you draft yourself, or even a preprinted will form purchased in an office supply store, will be legally effective if you are of legal age in your state (i.e., 18), are mentally competent and execute the will properly. This means the will must be acknowledged and signed by you in front of witnesses. The required number and age of the witnesses varies from state to state, though two witnesses who are at least age 18 is typical. In addition, the witnesses should not be anyone who will benefit under your will. Some states also require that a will must be notarized to be legally effective.

However, most people feel uncomfortable with a do-it-yourself will. They generally have some questions that should be addressed by an experienced estate planning attorney. In addition, some people have more than just basic concerns or are in complex situations where drafting the will properly is vital. Legal assistance can help ensure that your intentions are clearly communicated and no questions exist at the time of your death. You should also seriously consider professional assistance if your personal situation includes concerns such as:

- You have minor children, children from a prior marriage or a beneficiary with special needs;
- You own significant assets and are concerned about minimizing estate taxes at your death;
- You want to achieve certain goals, such as controlling the management and distribution of your property after your death; or
- You have heirs you wish to disinherit or there is a chance your will may be contested after your death.

How Often Do I Need to Review My Estate Plan?

Although there’s no hard-and-fast rule about when you should review your estate plan, the following suggestions may be of some help:

- You should review your estate plan immediately after a major life event.
- You’ll probably want to do a quick review each year because changes in the economy and in the tax code often occur on a yearly basis.
- You’ll want to do a more thorough review every five years.

Reviewing your estate plan will not only give you peace of mind, but will also alert you to any other changes that need to be addressed.

There will be times when you’ll need to make changes to your plan to ensure that it still meets all of your goals. For example, an executor, trustee or guardian may change his or her mind about serving in that capacity, and you’ll need to name someone else.

Other reasons you should do a periodic review include:

- There has been a change in your marital status (many states have laws that revoke part or all of your will if you marry or get divorced) or that of your children or grandchildren;
- There has been an addition to your family through birth, adoption or marriage (stepchildren);
- Your spouse or a family member has died, has become ill or is incapacitated;
- Your spouse, your parents or other family member has become dependent on you;
- There has been a substantial change in the value of your assets or in your plans for their use;
- You have received a sizable inheritance or gift;
- Your income level or requirements have changed;
- You are retiring; and
- You have made a change in your estate plan (e.g., you created a trust or executed a codicil to your will).
How Will Estate Taxes Be Paid If I Leave No Provision in My Will?

The IRS places an automatic lien against your estate for any estate taxes that may be due. If your will leaves no specific provision about how these taxes are to be paid, state law generally controls how the burden of paying the taxes will be distributed among your beneficiaries. As a result, your beneficiaries may end up paying taxes out of their own pockets or selling some of the property that you left to them to meet this obligation.

Most state apportionment statutes impose the tax payment liability only on those assets that contributed to the tax imposed. Thus, your spouse will not be responsible for any taxes if he or she received all your property free of tax under the unlimited marital deduction. Likewise, charities that received property free of tax under the charitable deduction will not have to carry any of the tax burden.

In addition, most state apportionment acts divide up the tax burden on a prorated basis. For example, if your taxable estate was evenly split between two beneficiaries, each beneficiary would be responsible for 50 percent (one-half) of the taxes due. Beneficiaries who received the taxable portion of your estate must pay their share of the taxes owed when they are due—generally nine months from the date of your death. They may have to sell their inheritances to get the cash. If their inheritances are already spent, however, they still must pay the taxes and the IRS can go after any of their other assets to satisfy the lien.

Can I Disinherit Relatives I Don’t Like?

Disinheritance is intentionally depriving someone who would otherwise be a rightful heir from receiving your estate. Typically, your heirs include your spouse, your descendants, and possibly other relatives. Although you may feel you have a good reason for disinheriting, be aware that a majority of non-community-property states provide statutory protection for spouses. That is, most states provide that if a spouse is disinherited under the decedent’s will, he or she may elect to take under the state intestacy laws instead. These laws vary from state to state but generally entitle the spouse to receive from one-third to one-half of the decedent’s estate.

Although only one state provides similar protection for the children of a decedent, simply leaving a child out of the will may not succeed in disinheriting that child. In the absence of any mention in the will, the child can either argue that this was an oversight on the part of the parent or contest the will on other grounds. Moreover, courts are often reluctant, in the absence of evidence to the contrary, to rule against the disinherited child. Therefore, if a child is disinherited, it is best to mention him or her in the will, even if only for a token amount.

Although you may feel you have a good reason for disinheriting, be aware that a majority of non-community-property states provide statutory protection for spouses.
Learn the Basics of Life Insurance

While facing the death of a loved one is never easy, one way to help ease some of the stress is to try to be prepared financially. Life insurance is one of the best ways to do that. Three out of five Americans (60 percent) report owning some sort of life insurance (individual and/or group), and more than a third of Americans (34 percent) said they are at least somewhat likely to purchase life insurance in the next year, according to the 2016 Insurance Barometer Study by LIMRA and Life Happens.

When you think about life insurance, you may dismiss it as something only older people need. At its very basic, a life insurance policy is taken out on someone’s life that pays out when the insured dies, helping to financially protect dependents and loved ones. Insurance proceeds are used to pay ongoing expenses, educate young children, pay off mortgages and cover final expenses. People put off buying life insurance because they don’t want to think about their own mortality, but CPAs say it’s important to your family’s financial security. Understanding your options is the first step.

Decipher the jargon.

“Life insurance” is a broad term covering many types of policies in two main categories: term policies and permanent policies. Permanent life policies are divided into three categories: whole life, universal and variable life insurances.

- **Term policies:** Term policies are pure temporary insurance coverage purchased for a fixed time period such as one year, five years, 10 years or more. If the insured person dies during the insurance period, the amount of the policy is paid to the named beneficiary. At the end of the term, assuming the policy has not been renewed, the policy no longer has any value.

- **Permanent life policies:** Permanent life policies provide insurance coverage and build cash value you can borrow against. They are typically more expensive than term insurance.

- **Whole life insurance:** Whole life insurance has a set premium payment and builds cash value at a guaranteed rate of return.

- **Universal life insurance:** Universal life insurance is a flexible-premium, adjustable life insurance product that allows you to vary the premium payment within certain limits. The death benefit can be increased or decreased as defined in the policy without having to buy a new contract. Like whole life, the cash value can be borrowed.

- **Variable life insurance:** Variable life insurance is permanent insurance that builds cash value. What makes variable life insurance different is the cash value is dependent on the investment performance of one or more separate accounts. In other words, the policy owner is subject to financial risk, which may result in the loss of its cash value.

Life insurance coverage may be bundled (or combined) with other insurance policies. For example, the package may pair life coverage with long-term care coverage.

**How much should you buy and what will it cost?**

Figuring out how much life insurance you should purchase comes down to crunching the numbers and knowing your personal level of risk. You can come up with a number by either estimating the potential income for the rest of your life, multiplying your annual salary by the number of years left to retirement, or you can use the family needs approach. This method focuses on the amount of life insurance it would take to allow your family to meet its various financial obligations and expenses in the event of your death. With the family needs approach, you divide your family’s financial needs into three main categories:

1. Immediate needs at death, such as cash needed for estate taxes and settlement costs, credit card and other debts, including mortgages (unless you choose to include mortgage payments as part of ongoing family needs), an emergency fund for unexpected costs and college education expenses;

2. Ongoing income needs for expenses related to food, clothing, shelter and transportation, among other things. These income needs will vary in amount and duration, depending on a number of factors, such as your spouse’s age, your children’s ages, your surviving spouse’s capacity to earn income, your debt (including mortgages) and whether you’ll provide funds for your surviving spouse’s retirement; and

3. Special funding needs, such as college funding, charitable bequests, funding a buy/sell agreement or business succession planning.

Once you determine the total amount of your family’s financial needs, you subtract from this total the available assets your family could use to defray some or all of their expenses. The difference, if any, represents an amount that life insurance proceeds—and the income from future investment of those proceeds—can cover.

Trying to figure out how much life insurance is enough isn’t always easy, and the amount will likely change with changing circumstances. Once a year, examine your family’s anticipated expenses in the event of your death and you will get a timelier, more realistic estimate of your life insurance needs.

Unfortunately, many people underestimate their insurance needs and are under-insured. Often, the purchase of life insurance is based on cost instead of what’s needed. By the same token, it’s possible to have more insurance than needed. You may have purchased a large policy during a particular point in your life and then didn’t adjust your coverage when your insurance need was reduced. Both of these circumstances are reasons to review your insurance coverage periodically with your financial professional. Doing so can reveal opportunities to change your levels of coverage to match your current and projected life insurance needs. Agents use actuarial tables, which project your life expectancy and determine your costs. If you purchase a policy when you’re younger, the premiums are generally less expensive.

Follow these tips:

- Work with a reputable agent;
- Work with your professional advisers to help choose the right amount of coverage for your purposes;
- Understand the terms and costs so you don’t buy a policy that isn’t just right for you; and
- Reduce your premiums by stopping smoking, losing weight, wearing your seatbelt and not having a dangerous hobby, like skydiving.

If you have a spouse or other dependents, it’s vital to have some type of life insurance in place. Depending on your specific needs, your life insurance policy can play an important role in your long-term personal financial plan.
CHAPTER EIGHT: Tax Issues

Will Rogers said, “The only difference between death and taxes is that death doesn’t get worse every time Congress meets.” The lovable Oklahoman may have had a point. According to the Tax Foundation, the U.S. tax code, as of 2015, was approaching 10.1 million words. With the typical novel averaging 64,000 words, the U.S. tax code would fill up more than 157 novels (The Motley Fool, December 2016).

• The PDF download from the IRS detailing the instructions to complete Form 1040, the “simplest” tax form, is 105 pages long (The Motley Fool, December 2016).

• One-fifth of Americans would get an IRS tattoo to have a tax-free future; 10 percent would stop talking for six months and 4 percent would sell a kidney (WalletHub, March 2017).

• The IRS estimates taxpayers spent an aggregate of 8.9 billion hours complying with federal income taxes in 2016—nearly the equivalent of 13,000 lifetimes (The Motley Fool, December 2016).

In this chapter, you will get tips on choosing the right preparer, understand reporting gambling winnings and losses, protecting yourself from tax fraud and more.

10 Tips to Choosing a Tax Preparer

With a new president, new legislators and no crystal ball of what will happen in tax reform, it makes good financial sense to hire a professional tax preparer. Many people may promote themselves as tax preparers — especially as the tax return deadline nears. What does this mean? You need to understand the qualifications of the person who will be preparing your return. The AICPA and OSCPA say it’s important because taxpayers are legally responsible for what’s on their returns even if someone else prepares it.

The IRS developed a public online database of tax preparers who obtained a Preparer Tax Identification Number (PTIN), which is required for anyone to prepare a federal return for compensation. There are no minimum education or experience requirements to obtain a PTIN or be listed in the IRS database. According to the IRS, here are a few points to keep in mind when someone else prepares your return:

1. **Check the person’s qualifications.** New regulations require all paid tax return preparers to have a PTIN. In addition to making sure they have a PTIN, ask if the preparer is affiliated with a professional organization and attends continuing education classes.

2. **Check the preparer’s history.** Check to see if the preparer has a questionable history with the Better Business Bureau and check for any disciplinary actions and licensure status through the Oklahoma Accountancy Board (www.ok.gov/oab) for certified public accountants; the Oklahoma Bar Association for attorneys; and the IRS Office of Enrollment for enrolled agents.

   - **Enrolled Agents:** An enrolled agent (EA) is licensed by the federal government and is authorized to represent a taxpayer at any IRS meeting or hearing. Many are former IRS employees and those who aren’t need to pass an IRS test. They are also required to complete an average of 24 hours of continuing education per year.

   - **Tax Attorneys:** Tax attorneys don’t necessarily specialize in filing tax returns. You may want one if you encounter legal issues regarding your taxes. Tax attorneys can represent you before the IRS as well as in court. Many specialize in certain areas, so be sure you choose one who suits your needs.

   - **CPAs:** Though not all CPAs are tax preparers, all CPAs first must pass the rigorous Uniform CPA Examination in order to qualify for their licenses. Additionally, they are required to take an average of 40 hours of continuing education per year, as well as ethics courses. (To learn more about the differences between accountants and CPAs, go to www.oscpa.com/for-the-public/why-hire-a-cpa.)

3. **Find out about their service fees.** Avoid preparers who base their fee on a percentage of your refund or those who claim they can obtain larger refunds than other preparers. Also, always make sure any refund due is sent to you or deposited into an account in your name. Under no circumstances should all or part of your refund be directly deposited into a preparer’s bank account.

4. **Ask if they offer electronic filing.** Any paid preparer who prepares and files more than 10 returns for clients must file the returns electronically, unless the client opts to file a paper return. More than 1 billion individual tax returns have been safely and securely processed since the debut of electronic filing in 1990. Make sure your preparer offers IRS e-file.

5. **Make sure the tax preparer is accessible.** You should always be able to contact the tax preparer after the return has been filed, even after the April due date, in case questions arise.

6. **Provide all records and receipts needed to prepare your return.** Reputable preparers will request to see your records and receipts and will ask you multiple questions to determine your total income and your qualifications for expenses, deductions and other items. Do not use a preparer who is willing to electronically file your return before you receive your Form W-2 using your last pay stub. This is against IRS e-file rules.

7. **Never sign a blank return.** Avoid tax preparers that ask you to sign a blank tax form.

8. **Review the entire return before signing it.** Before you sign your tax return, review it and ask questions. Make sure you understand everything and are comfortable with the accuracy of the return before you sign it.

9. **Make sure the preparer signs the form and includes his or her preparer tax identification number (PTIN).** A paid preparer must sign the return and include his or her PTIN as required by law. Although the preparer signs the return, you are responsible for the accuracy of every item on your return. The preparer must also give you a copy of the return.

10. **Report suspected fraud or abuse.** Most tax return preparers are honest and provide good service to their clients. However, some are dishonest. Report abusive tax preparers and suspected tax fraud to the IRS using Form 14157, available at www.irs.gov.

Having your return prepared accurately by a knowledgeable tax expert can save you both time and money—and help prevent possible IRS penalties or audits in the future.
Your Tax Return: What Could Go Wrong?

According to the Internal Revenue Service, more than 140 million tax returns were filed in 2016. Many of the people filing those returns undoubtedly had at least a little anxiety, worrying about errors they might have made or audits they might face. The good news, according to the AICPA and the OSCPA, is that there are remedies for some of the potential problems that could keep you up at night as the tax deadline looms.

What if you make a mistake?
You’ve filed your return. What a relief! But then, to your horror, you find income or a credit that you failed to include. When you’ve made a mistake or omission on your taxes, you can fix the problem by filing an amended return. In some cases, no amendment may be necessary, such as when you make a math error or if you didn’t send in a form related to information that is included on your return. The IRS will normally correct math errors and mail you a request for missing forms. If you realize that you owe more tax than you reported because of an error or omission, you should pay the extra amount as soon as possible to avoid being charged penalties or interest. If you expect a refund but now believe you qualify for a larger one because of your error or omission, the IRS advises that you wait to receive your initial refund before filing your amended return. An amended return claiming a refund must generally be filed within three years of the date you filed your original return. And here’s one omission that you have some time to fix: Did you forget to make all your contributions to a tax-advantaged Individual Retirement Account (IRA) last year? Don’t worry. In most cases, you’re eligible to make a contribution right up until tax filing day, which, in 2018, is April 17.

What if you file your return late?
If you miss this year’s April deadline, or you’ve failed to file in the past, your critical first step is to file your return as soon as possible, even if you can’t afford to pay some or all of your outstanding taxes immediately. The sooner you file and pay what you can, the less exposure you will have to interest and penalties. If your tax bill remains unpaid, the IRS will begin collection efforts that could result in a levy on your wages or bank account or a federal tax lien. But you can help prevent those steps by filing your return and explaining your financial constraints to the IRS. The IRS has an installment agreement program and other programs designed to make it easier for those who can’t pay their taxes immediately. If you’re owed a refund, you’ll miss out on it if you don’t file a return, so, once again, it’s in your best interest to get your taxes done.

There are some mistakes you may not even be aware of, such as missing out on deductions you could have taken. That’s why it’s so important to turn to your local CPA for advice on how to claim the right deductions and address all your compliance concerns.

Should I Itemize or Take the Standard Deduction?

By IRS

When you file a tax return, you usually have a choice to make: whether to itemize deductions or take the standard deduction. You should compare both methods and use the one that gives you the greater tax benefit.

Here are six facts to help you choose:

1. Figure your itemized deductions. Add up the cost of items you paid for during the year that you might be able to deduct. Expenses could include home mortgage interest, state income taxes or sales taxes (but not both), real estate and personal property taxes, and gifts to charities. They may also include large casualty or theft losses or large medical and dental expenses that insurance did not cover. Unreimbursed employee business expenses may also be deductible.

2. Know your standard deduction. If you do not itemize, your basic standard deduction amount depends on your filing status. For 2016, the basic amounts were:
   - Single = $6,300
   - Married Filing Jointly = $12,600
   - Head of Household = $9,300
   - Married Filing Separately = $6,300
   - Qualifying Widow(er) = $12,600

3. Apply other rules in some cases. Your standard deduction is higher if you are 65 or older or blind. Other rules apply if someone else can claim you as a dependent on his or her tax return. To figure your standard deduction in these cases, use the worksheet in the instructions for Form 1040, U.S. Individual Income Tax Return.

4. Check for the exceptions. Some people do not qualify for the standard deduction and should itemize. This includes married people who file a separate return and their spouse itemizes deductions. See the Form 1040 instructions for the rules about who may not claim a standard deduction.

5. Choose the best method. Compare your itemized and standard deduction amounts. You should file using the method with the larger amount.

6. File the right forms. To itemize your deductions, use Form 1040, and Schedule A, Itemized Deductions. You can take the standard deduction on Forms 1040, 1040A or 1040EZ.

For more information about allowable deductions, see Publication 17, Your Federal Income Tax, and the instructions for Schedule A. Tax forms and publications are available on the IRS website at www.irs.gov. You may also call 800-TAX-FORM (800-829-3676) to order them by mail.
Frequent Tax Questions on Gains and Losses

Did you know that when you sell an asset you may have to pay taxes on the proceeds? Knowing the rules on capital gains and losses can help you make decisions about whether it makes sense to sell.

1. **What gains are taxable?** You may have taxable gains when you sell a capital asset, which can include your home, car or other property, as well as investments like stocks and bonds. The capital gain is the difference between your basis, which is usually the purchase price you paid for the asset, and the sale price. The cost of improvements made may increase your basis in the property. In a simple example, if you paid $200,000 for your home and added on a bedroom that cost you $25,000, $225,000 would be your basis. If you later sell the house for $500,000, the $275,000 difference between your basis and the sale price is your capital gain. (Most settlement fees and closing costs can also be added to your basis and most selling expenses can also be subtracted from your sale price, so consult your CPA for all the details of determining your gain.) The basic rules are similar for other kinds of personal property. If you bought an antique chair for $1,000 and later sold it for $1,500, your taxable capital gain is $500.

2. **Is there a break when I sell my house?** The good news is that you get a large tax break on capital gains associated with the sale of your home. In fact, profits of up to $250,000 for a single filer and up to $500,000 for a married couple filing jointly are tax free. Anything above those amounts must be reported on your income tax return as a capital gain. You can use the proceeds however you like, and the exclusion is generally available every time you sell a home, as long as you owned the home and used it as your main home during at least two of the last five years before the sale. There are a different set of rules for second homes and real estate investment property, so ask your CPA for more details.

**What about gains and losses on investments?** Your gains on assets you’ve owned for one year or less are considered short-term gains and are taxed at your ordinary income rate, which can range from 10 to 39.6 percent. Gains on anything you’ve held longer than a year are long-term gains, and are taxed at the capital gains rate for your bracket. For most people, that means their long-term capital gains will be taxed at 15 percent. If you’ve had losses on assets, they can be applied against your gains. Let’s say that you’ve sold a portfolio of stocks and bonds. Some went up in value a total of $500 above your basis, but others went down in value by a total of $700 below your basis. In that case, you can deduct your net $200 capital loss. There is a $3,000 limit on losses you deduct in any tax year, but you can carry over the excess amount to following years. And remember that you can’t deduct capital losses on personal-use property, such as your home or car.

---

**The capital gain is the difference between your basis, which is usually the purchase price you paid for the asset, and the sale price.**
3 Frequent Tax Questions on Gains and Losses

Do you have dreams of hitting it big with the lottery or raking in a jumbo jackpot at a local casino? If so, be sure to wake up to the reality that gambling winnings are fully taxable and must be reported as income on your tax return.

The AICPA and OSCPA remind you that gambling income includes, but is not limited to, winnings from lotteries, raffles, casinos and races, as well as the fair market value of prizes such as cars, houses, trips or other non-cash prizes.

Depending on the type and amount of your winnings, the payer might provide you with a Form W-2G and may have withheld federal income taxes from the payment. Any legitimate gambling institution must report winnings over certain amounts and withhold income tax if winnings are greater than certain amounts.

For example, bingo or slot machine winnings of $1,200 or more must be reported. Keno winnings of $1,500 or more must be reported. For poker tournaments, winnings of more than $5,000 must be reported. For horse racing or other wagers, winnings must be reported if the amount is $600 or more and at least 300 times the amount bet.

Certain gambling winnings are subject to a flat 25 percent tax (33.33 percent for certain noncash prizes). This includes gambling winnings of $5,000 or more from any sweepstakes, wagering pool, lottery or other wager where the proceeds are at least 300 times the amount bet. It does not matter whether proceeds are in cash, property or annuity form. Proceeds that are not in money are considered at fair market value. Remember also that, although gambling winnings from bingo, keno and slot machines are not subject to regular gambling withholding, you may need to make estimated tax payments to avoid underpayment penalties. If you do not provide a correct taxpayer identification number, your winnings may be subject to 28 percent backup withholding even if regular gambling withholding is not required.

The tax withheld is reported on line 64 of Form 1040. The full amount of your gambling winnings for the year should be reported as other income on line 21 of IRS Form 1040. You may not use Form 1040A or 1040EZ. This rule applies regardless of the amount and regardless of whether you receive a Form W-2G or any other reporting form.

If you itemize deductions, you can deduct your gambling losses for the year as other miscellaneous deductions on line 28 of Schedule A, Form 1040, but only to the extent of winnings. Therefore, your gambling loss deduction cannot be more than the amount of gambling winnings. There is no such thing as a “net” gambling loss.

Good recordkeeping is extremely important, particularly if you have significant gambling winnings or losses. Keep an accurate diary or similar records of your winnings and losses, which support where your numbers came from.

When it comes to deducting gambling losses, you must be able to provide receipts, tickets, statements or other records that show the amount of both your winnings and losses.

Professional gamblers can report the results of their activity on Schedule C, which is attached to their 1040. Schedule C, designed for income from a trade or business, allows for various categories of income and expense. The Supreme Court has defined a professional gambler as one who is involved in gambling on a regular and continuous basis.

And remember — there’s a reason they call it “gambling.” The odds are not always in your favor and you run the risk of losing income or savings essential for your livelihood. Be responsible. Should you or someone you love need assistance with a gambling problem, call (800) 522-4700 or visit the the Oklahoma Association for Problem and Compulsive Gambling at www.oapcg.org.

For more information, see IRS Publication 529, Miscellaneous Deductions, or Publication 525, Taxable and Nontaxable Income, both available at www.IRS.gov.

Is It a Hobby or a Business?

An avid photographer occasionally does wedding photography or sells some shots to the local paper. A stay-at-home parent with a passion for baking takes orders for birthday cakes or desserts for parties or someone who’s great with crafts sells some of her creations online. Are they involved in a hobby or a business? That can be a challenging determination for taxpayers, and there are special Internal Revenue Service rules to answer that question. You may be surprised by what they mean to you. Here is some information to help you understand where you stand, how it affects your tax situation and help keep you in good standing with the IRS.

How does the IRS define a business? Both hobby and business income is generally taxable. However, if your activities can be considered a business, then you can deduct the qualified expenses involved, even if they exceed the income that the business brings in. A key feature of a business is that it is undertaken to earn a profit. In the eyes of the IRS, an activity is presumed to be carried on for a profit if it has made a profit in at least three of the last five tax years, including the current year. (There’s a slightly longer horizon for businesses that involve breeding, showing, training or racing horses.) If you haven’t had the three years or more of profits, the IRS may take nine other factors into account. They include:

- Whether you carry on the activity in a businesslike manner;
- Whether the time and effort you put into the activity indicate you intend to make it profitable;
- Whether you depend on income from the activity for your livelihood;
- Whether your losses are due to circumstances beyond your control (or are normal in the startup phase of your type of business);
- Whether you change your methods...
5 Tax Questions the Self-Employed Should Answer

According to CNBC, roughly 10 million Americans are self-employed. If you plan on starting a new business this year or recently did start a new business, there are important tax issues to keep in mind, even if you simply plan on converting a spare bedroom into a new office. Here are five common tax questions for the self-employed:

1. What’s the self-employment tax? When you strike out on your own, tax considerations can get a little complicated—and potentially more expensive. For example, the self-employment tax will loom large in your plans because you will have to pay all of your Social Security and Medicare taxes each year instead of splitting them with an employer. Although this might seem daunting, you are allowed to deduct up to 50 percent of self-employment taxes from your net income.

2. How do tax payments work? Since an employer is no longer withholding your federal, state and local taxes, you will also have to figure out what income tax you owe—based on your earnings—and make quarterly estimated tax payments. If you don’t pay enough in taxes by withholding or through estimated payments, you could be subject to a penalty. However, if you are earning income through self-employment while still holding another staff job, you will receive credit for Social Security and other taxes that your employer withholds, which may lower your self-employment taxes.

3. What deductions can I take? There are many business-related deductions available for those who are self-employed. You could be eligible for a home office deduction for any space in your house that is set aside exclusively for regular business use if it’s your principal place of business. Other related costs you may be able to deduct include a percentage of your rent or depreciation on a home you own, property taxes, utilities, home maintenance costs and home insurance. Of course, you may also be eligible to deduct a variety of other expenses related to running your business—including Internet and phone use, the costs of equipment or supplies, travel, meals and entertainment. Talk to your CPA to ensure you’re taking all the deductions available to you.

4. How does the ACA affect me? The Affordable Care Act (ACA) requires all individuals to have minimum essential health care coverage or pay an individual shared responsibility payment when they file their tax returns. Through the ACA, self-employed individuals are able to shop for flexible coverage through the government’s Health Insurance Marketplace. Check with your CPA to decide what health care coverage plan is the best option for you and your family.

5. How do I save for retirement? The self-employed have some appealing retirement savings choices that can help minimize tax outlays, which helps secure a future. According to the IRS, you can contribute up to 25 percent of your net earnings from self-employment—up to $54,000 in 2017—to a simplified employee pension (SEP). Alternatively, you can set aside up to $12,500 of self-employment net earnings in a savings incentive match plan for employees (SIMPLE IRA Plan), plus an additional $3,000 if you’re 50 or older. Be sure to ask your CPA about more details of all your retirement plan options.
Don’t Miss These 4 Overlooked Tax Deductions

Are you missing out on chances to lower your tax bill? No matter what your tax bracket, you will pay more than necessary if you don’t take advantage of all the tax breaks for which you qualify. Here are some commonly overlooked deductions that could save you money:

- **State sales tax:** Taxpayers who file a Form 1040, and itemize deductions on Schedule A, are allowed to deduct either their state and local income taxes or their state and local sales taxes, but not both, on their federal tax return. There are seven states with no income tax. It may make sense to deduct your state and local sales taxes, instead of your state and local income taxes, if your state has a low income tax rate or if you made a substantial purchase during the tax year, such as a car or boat. The federal state sales tax deduction became permanent in December 2015 through the Protecting Americans from Tax Hikes Act.

- **Valuable self-employment deductions:** Self-employed people may know they can take deductions for qualifying expenses such as the costs of an office, supplies and equipment, but they may overlook other deductions. For example, you may be able to deduct the amount you paid for medical and dental insurance and qualified long-term care insurance for yourself, your spouse and your dependents. Medicare premiums you voluntarily pay to obtain insurance in your name that is similar to qualifying private health insurance can be used to figure the deduction. The deduction is not available, however, for any month you were eligible to participate in a health plan subsidized by your or your spouse’s employer. In addition, for the 2016 tax year, self-employed people will pay a 12.4 percent Social Security tax on up to $118,500 of income and a 2.9 percent Medicare tax on all of their income, but they can deduct one-half of that tax. Also, does your business require you to travel away from home? Then you can deduct your travel expenses, including mileage or airline ticket costs, baggage fees, taxi fares and other ordinary and necessary expenses related to your business travel.

- **Hidden charitable deductions:** How much did you spend on the ingredients that you used when you contributed treats to a school bake sale? What were your gas, tolls and parking costs for driving that you did to perform services for your favorite charity? The little things add up, and if you make these kinds of contributions to a qualified organization, you can claim your expenses as a deduction. Be sure to keep records to prove the amount of the contributions you made during the year.

These are just some of the overlooked deductions you might be able to claim on your tax return. Your CPA can help you decide if itemizing your deductions is the best choice and spot other deductions you might have missed.

4 Year-end Tax Steps to Save You Money

As January approaches, you should ask yourself if you took advantage of all the tax planning—and minimizing—opportunities available to you. Even late in the year, you still have the chance to reduce your tax burden. The AICPA and OSCPA offer tips on just a few of the options you can use to keep more money in your pocket.

1. **Manage your income and deductions.** If you expect your economic situation to change next year, you may want to consider managing when you receive income or take deductions. If your income may go down, take this last chance to postpone invoicing for freelance or consulting income or to put off any other earnings you can delay. You may also consider taking qualified deductions before year-end so you can claim them against a higher income next year. The opposite would be true, of course, if you think your income would go up next year.

2. **Check your withholding.** Consider adjusting your withholding status if you received a tax refund. If you lower your withholding amount you may not get a refund, but you’ll get more money in each paycheck rather than at tax time, which means you can immediately channel it into an interest-bearing savings account or other investments. You can do the same with your tax refund check, of course, but you miss out on the interest you could have earned throughout the year. Conversely, consider increasing your withholding if you expect to receive extra income in the year. On another front, did you experience milestone events—such as a marriage or the birth of a child? They can affect your tax situation and your withholding status, as well, so make sure to factor them into your decisions.
5 Things You Can Learn from Your Tax Return

Did you know analyzing your tax return can offer many advantages? It may not seem that way when you’re scrambling to finish it before the filing deadline, but the information on your return can offer new insights into your financial situation, help you identify changes that could help save you money and make some decision making easier over the coming year. The AICPA and OSCPA highlight some of the wake-up calls you might find on your return.

1. **You missed out on tax-advantaged retirement savings.**
   - If your return shows that you set aside very little—or nothing at all—in your retirement account last year, you could be losing money and putting your future at risk. You lose out when you don’t take advantage of the matching retirement account contribution programs your employer may offer, which match a percentage of the dollars you put away in your retirement account. You also lose out on all the dividends and interest that your retirement savings can earn each year. Also, you put your future at risk when you fail to create a nest egg that you’ll be able to count on once you’re ready to stop working—or are forced to stop working due to job loss or declining health. Additionally, your retirement contributions are typically made with pre-tax dollars, so you won’t pay retirement. If you’re just getting started, talk to your CPA about the best retirement savings strategy for you.

2. **You're keeping too much money in your bank savings account.**
   - If you earned less than $10 in interest on your interest-bearing bank accounts last year, the bank is not required to report it, so that section of your return may be blank. If your interest dollars are low, you might want to consider moving your savings to another bank with better rates. As part of your research, be sure to check out online banks, which often pay higher interest rates. If your interest dollars are high, depending on your short- and long-term goals and your risk tolerance, it may also be time to move some of your savings into investments that offer a better yield. When doing research on different banks, make sure to check and see if there are any fees associated with the account, such a minimum balance or multiple transfers per month.

3. **You may need a better mix of investments.**
   - When you listed your interest and dividends on your return, did you notice a high percentage of your investment dollars (say 10 percent or more) were invested in one security? Every situation is different, but a diversified investment portfolio can help protect you against losses related to any one company or industry. Take the time to review your investments and consider whether a broader mix is needed, based on your age, income, family situation and other factors.

4. **You may not be keeping track of donations.**
   - Does your return show your charitable deductions were pretty sparse this year? If you think some of your contributions have been forgotten in the past, be sure to document donations as you go along and get receipts to help you keep track of what you give. You may be surprised by what you’ll be able to deduct next year!

5. **You’re having too much or too little withheld.**
   - Does your return show you will get a surprisingly large refund this year? Congratulations, but you may still want to review your withholding so your money goes directly into your pocket as you earn it and you don’t have to wait until tax time to get it back. On the other hand, did you get hit with a penalty for underpayment of taxes because of insufficient withholding? Tax filing time is a good opportunity to spot and correct these errors.

---

Chapter 8 • Tax Issues
5 Things to Know About Battling Tax Identity Theft

Many people are aware of the dangers of identity theft but may not realize how quickly it is growing or the numerous areas in which it can occur. Did you know, for example, that identity theft reports to the Federal Trade Commission jumped by nearly 50 percent in 2015, to almost half a million claims? Here’s another surprising statistic: Tax refund fraud is considered the biggest and fastest-growing kind of identity theft. If you’re not sure how to respond to or protect against tax identity theft, the AICPA and OSCPA offer some answers.

1. Be on notice if you get an IRS notice.
   One example of tax identity theft involves a scammer using your Social Security number to file a false return and then collecting a tax refund he or she doesn’t deserve. For that reason, you may learn you’re a victim of tax identity theft when you receive a notice from the Internal Revenue Service stating more than one tax return was filed with your information. Your best response is to respond immediately by following the instructions in the notice. If you believe you are at risk of identity theft due to lost or stolen personal information, you should immediately contact the IRS Identity Protection Specialized Unit at (800) 908-4490 so the agency can take action to secure your tax account.

2. Don’t take the phishing bait.
   Be wary if you get a call, email, text or other message from the IRS asking you to supply your Social Security number, bank or investment account details or other personal or confidential information. The IRS never initiates contact with taxpayers by email, text or social media to request personal or financial information. Further, they do not call taxpayers with threats of lawsuits or arrests. If you experience any of these situations, it’s almost certain you’re dealing with an identity thief. Don’t reply to the message or click on any links within it. If you suspect phishing, which happens when identity thieves send you a communication that tries to trick you into revealing confidential information, report it to the IRS and forward any emails to phishing@irs.gov.

3. Watch out for wage discrepancies.
   Scammers will sometimes use someone else’s Social Security number when applying for a job because they don’t have their own Social Security number or to avoid paying taxes. The employer will then report their earnings to the IRS using the stolen number. When tax time rolls around, you will receive an IRS notice reporting an error in your tax return because it doesn’t include the income reported by the identity thief’s employer. Once again, respond immediately by following the instructions in the notice.

4. Put a recovery plan in motion.
   If you think you’ve been a victim of identity theft, contact one of the three major credit reporting agencies to let them know and to request that a fraud alert be placed on your credit records. That organization will alert the other agencies and the fraud alert can help prevent further illegal activity under your name or in your accounts.

5. Take advantage of valuable resources.
   The Federal Trade Commission has updated the theft recovery plan available at www.IdentityTheft.gov. It includes a checklist you can follow when you become aware of identity theft. You can also contact the IRS Identity Protection Specialized Unit at (800) 908-4490 so the appropriate steps can be taken to secure your tax account. You should also report ID theft incidents to the Federal Trade Commission at www.consumer.ftc.gov or the FTC Identity Theft Hotline at (877) 438-4338. After you have completed these steps, you will want to file a report with the local police and contact the fraud departments of the three major credit bureaus: Equifax at (800) 525-6285; Experian at (888) 397-3742; and TransUnion at (800) 680-7289. Don’t forget to close any accounts opened fraudulently or that appear suspicious. There’s also a list of follow up steps and special instructions to consider if affected accounts include utilities or phone companies, banks, investments, student loans, government agencies, apartment or house rentals or deal with bankruptcy filing issues. The IRS also offers identity theft resources on its site at www.IRS.gov.
Chapter 8 • Tax Issues

6 Hints for Appealing an IRS Decision

What happens if you disagree with an Internal Revenue Service determination about your taxes? There are options available to you if you’d like to plead your case. Each year, thousands of taxpayers address tax disputes through the IRS’s appeals process. Here’s when you might consider an appeal and how it works:

1. **First steps sometimes fail.** Let’s say you’re undergoing an IRS audit. You’ve had lengthy discussions with the IRS auditor, but you two still can’t agree on the amount you owe. Your first step should be to ask to speak to the auditor’s manager to find out if you can come to a successful resolution with him or her. If that attempt fails, the appeals process is another option.

2. **Get started.** An appeal is designed to be a free and relatively straightforward alternative to help you avoid having to take your case to court. In addition to an audit, a taxpayer may turn to the appeals process because of a disagreement over an IRS assessment, penalty, interest charge, offers in compromise or liens or levies. Typically, if there is a dispute, you will receive a letter from the IRS explaining your right to appeal, but you can also initiate a request for an appeal.

3. **Put it in writing.** If the entire amount of additional tax and penalty proposed for each tax period is $25,000 or less, then you may qualify for a small case request. If the amount you want to appeal is greater than $25,000, you will have to file a formal written protest in order to have an appeal. The written protest should cover the decisions with which you don’t agree and your reasons and the facts supporting your opinion, including any legal or regulatory support.

4. **Talk it out.** The next step usually involves having a conference, either by phone, mail or in person, with an objective IRS appeals officer to discuss your case. Conferences are informal. You aren’t required to have any type of representation, but a representative who is recognized by the IRS—such as your CPA or an attorney—can participate if you’d like to have an expert involved. Before the conference begins, you should have all the paperwork you need to support your appeal. However, this is not the time to introduce new documentation. If you do, you may be sent back to the IRS auditor for further consideration. If you’re not satisfied with the results of the appeals process, you will generally still be able to take your case to court, although be aware that it will likely be an expensive and time-consuming option.

5. **What’s the timeframe?** Normally, you should receive a response to your request for an appeal within 90 days. Once you’ve had your appeals conference, it may take anywhere from 90 days to a year for your case to be resolved.

6. **Should you consider an offer in compromise?** Sometimes a taxpayer may not necessarily disagree with the IRS’s conclusions about his or her tax situation but may simply be unable to pay. In that case, an offer in compromise may be the best answer. The IRS will consider your case based on your income, expenses, assets and overall ability to pay and determine a payment amount that may be less than your total outstanding tax bill. You must be up to date on your tax return filings and not involved in a bankruptcy proceeding. Any refunds you are due within the calendar year in which your offer is accepted will be applied to the offer that the IRS accepts. You can pay off the amount you owe either in one lump sum or in monthly payments.

Your first step should be to ask to speak to the auditor’s manager to find out if you can come to a successful resolution with him or her.
# SAMPLE BUDGET

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>MONTHLY BUDGET AMOUNT</th>
<th>MONTHLY ACTUAL AMOUNT</th>
<th>DIFFERENCE (+/-)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME (AFTER TAXES)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages/Bonuses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Child Support/Alimony</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Income Total</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>HOME:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgage or Rent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Homeowners/Renters Insurance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home Repairs/Maintenance/HOA Dues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>UTILITIES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity/Gas (add if both)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water/Sewer/Garbage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telephone (Land Line/Cell)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TV Cable/Satellite/Internet Subscriptions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FOOD:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Groceries</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eating out/Lunches/Snacks</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FAMILY NEEDS:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Child Support/Alimony</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Day Care/Babysitting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>HEALTH AND MEDICAL:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance (Medical/Dental/Vision)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gym/Fitness Memberships</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unreimbursed expenses/copays</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TRANSPORTATION:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Car payments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gas/Auto Insurance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auto Repairs/Maintenance/Fees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Transportation (bus, subway, tolls)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## SAMPLE BUDGET

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Loans</td>
<td></td>
</tr>
<tr>
<td>Other loans</td>
<td></td>
</tr>
<tr>
<td><strong>ENTERTAINMENT/RECREATION:</strong></td>
<td></td>
</tr>
<tr>
<td>Movies/Nights Out</td>
<td></td>
</tr>
<tr>
<td>Vacations</td>
<td></td>
</tr>
<tr>
<td>Subscriptions/Dues</td>
<td></td>
</tr>
<tr>
<td><strong>PETS:</strong></td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td></td>
</tr>
<tr>
<td>Grooming/Boarding</td>
<td></td>
</tr>
<tr>
<td>Vet/Medical</td>
<td></td>
</tr>
<tr>
<td><strong>CLOTHING:</strong></td>
<td></td>
</tr>
<tr>
<td>Purchases (Include accessories, shoes, etc.)</td>
<td></td>
</tr>
<tr>
<td>Dry cleaning</td>
<td></td>
</tr>
<tr>
<td><strong>SAVINGS AND INVESTMENTS:</strong></td>
<td></td>
</tr>
<tr>
<td>401(K) or IRA</td>
<td></td>
</tr>
<tr>
<td>Stocks/Bonds/Mutual Funds</td>
<td></td>
</tr>
<tr>
<td>College Fund</td>
<td></td>
</tr>
<tr>
<td>Emergency Savings</td>
<td></td>
</tr>
<tr>
<td>Other Savings</td>
<td></td>
</tr>
<tr>
<td><strong>MISCELLANEOUS:</strong></td>
<td></td>
</tr>
<tr>
<td>Toiletries</td>
<td></td>
</tr>
<tr>
<td>Household Products</td>
<td></td>
</tr>
<tr>
<td>Gifts</td>
<td></td>
</tr>
<tr>
<td>Donations</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL INVESTMENTS/EXPENSES</strong></td>
<td></td>
</tr>
<tr>
<td>Surplus or Shortage (Income minus expenses)</td>
<td></td>
</tr>
</tbody>
</table>

Happy Budgeting!
FREE FINANCIAL EDUCATION CURRICULUM

The WEOKIE Credit Union Foundation recognizes the importance of financial education and is committed to financial literacy for Oklahoma's youth. To help Oklahoma educators, WEOKIE offers FREE online and in-person curriculum that meets 100% of Oklahoma's Financial Literacy Passport standards.

CLASSROOM FINANCIAL EDUCATION

For those in the OKC metro area and surrounding communities, WEOKIE's financial professionals can visit your classroom to discuss areas that youth must be knowledgeable about to handle money intelligently. The program is called Money Talks and it is completely FREE. It is adaptable for grades 2-12. Topics of discussion include: checking, savings, investing, budgeting, credit, and any other requested financial topics.

ONLINE FINANCIAL EDUCATION

WEOKIE has partnered with the nationally respected FoolProof Financial Literacy Initiative to bring educators and students financial literacy instruction online for FREE. The online FoolProof Financial Literacy program is full of instructional videos, games and interactive learning modules. Visit www.FoolProofTeacher.com/weokie to see the program first-hand and register for an informational webinar.

BONUS: $5,000 IN SCHOLARSHIPS

Each semester, WEOKIE will award ten $500 scholarships via a random drawing to teachers who use the FoolProof program or schedule a Money Talks financial education session.

Contact WEOKIE's Financial Education department at 405.415.9733 or education@weokie.org for more information or to schedule a session.
DO YOU HAVE A PLAN FOR THE UNEXPECTED?

Download a free disaster preparedness guide from the Red Cross and the AICPA at HTTP://RDRSS.Org/1SXM3LJ

Start the Conversation.

CPAs Don’t Just Do Taxes and Balance Books.
We team up with you to talk about your long-term plans, then help make that future a reality. From buying a home to financing your retirement, CPAs have you covered.

FindYourCPA.com
You dream it.
We’ll help you do it.

Online Education
Credit and Debt Counseling
Online Budgeting

You have more to do in your day than worry about finances. TFCU has tools to help you manage your money in all stages of life. That way, you can focus on whatever matters most to you.

We get it.℠

Look for this button on our website.

TinkerFCU.org

Federally insured by NCUA