FPA FINANCIAL PLANNING PERSPECTIVES

Happy New Year – Put These Dates on Your Financial Calendar

If you've made a New Year's resolution to keep better track of your finances in 2008, here's a list of important planning and execution tasks that should be on your financial calendar for the year:

JANUARY:

- *Set your credit report dates.* You are entitled to one free credit report a year from each of the three credit reporting agencies: Transamerica, Experian and Equifax. Each year, you should check each of your credit reports from www.AnnualCreditReport.com. It's wise to stagger the dates you check each report because irregularities might surface at different times of the year and you'll catch them faster.
- *Think about college aid:* On January 1, kids and parents are free to start working on the Free Application for Federal Student Aid (FAFSA) for the upcoming school year (2008/09). To meet deadlines in most states, you should submit your FAFSA no later than March 1, with February 15 being the optimal date.
- *Start or review your emergency fund:* Experts believe you should have three to six months worth of living expenses set aside. Set a fixed amount you'll save each month toward that goal.
- *Check your investment accounts on your brokerage firm's or mutual fund companies' Web sites and print off the December 31 statements for the previous year.* Review the earnings paid out to your account from interest, dividends, and both short-term and long-term capital gains. Review the capital gains and/or losses you realized from the sale of mutual funds, stocks and/or bonds. Use this information to begin planning for your 2007 taxes.
- *Review your checking account statements and credit card statements for the previous year and tallying your spending/expenses into categories.* Compare your cash outflow to your cash inflow for each month of the previous year and set target goals for spending in each category for the New Year based on your financial goals and values.
- *If possible, fund your IRA contributions as soon as possible in the New Year. You'll maximize your returns over the longest time possible.*
- *If you have a health savings account or a flexible spending plan through your employer, total the amount of expenses filed during the previous year and compare them to the total amount you contributed.* Make sure you aren't contributing more than you are being reimbursed, especially if you lose any excess contributions.

FEBRUARY:

- *Start pulling your tax information together:* Your W2s and 1099s should be arriving – get your records ready to start your return. You might also get a ballpark estimate of your tax liability online -- http://www.finance.cch.com/sohoApplets/Tax1040.asp

MARCH:

- *Get ready to fund your IRAs:* April 15 will be 2008's tax deadline, and that's the last date to make a tax-deductible contribution to your IRA. Plan to make the biggest affordable contribution you're allowed.
- *Deadline to apply for spring 2008 Stafford and PLUS Federal Direct Loans:* March 1.

APRIL:

- *Tax deadline:* Midnight, April 15 is the deadline for federal and state taxes.
- *Education account contribution deadline:* Don't forget that contributions to Coverdell accounts for the previous year are due on tax day.
- *Check your insurance coverage:* If you have sufficient emergency funds, check to see if a higher deductible on home and auto insurance makes sense in terms of premiums savings and fewer potential claims.
- *Deadline to apply for summer 2008 Stafford and PLUS Federal Direct Loans:* April 16 is the deadline.

MAY:

- *Talk to your parents:* If you've never discussed estate, health and long-term care planning with your parents, do it now.
- *Do an energy checkup:* Have your furnace and air conditioners checked to make sure they're working properly during the heating and cooling season.

JUNE:

- *Do a mid-year financial checkup:* Take the time to do a review of your tax planning, retirement savings, home, health and life insurance needs and do a mid-year check of your spending and emergency fund levels.
- *Pell Grant Application deadline for 2007-08:* June 30.

JULY:

- *Do a beneficiary check:* Is the beneficiary information on all your investments, insurance policies and bank accounts up to date?
- *Check your will:* If you haven't checked your will in five years, see if your instructions are current. Make sure your powers of attorney reflect your intentions.

AUGUST:

- *Go over money issues with your college student:* Whether they're freshmen or seniors, take some time to go over financial details with your student.

SEPTEMBER:

- *Order your last credit report:* Get your third and final credit report of the year.

OCTOBER:

- *Be ready for open enrollment:* Many companies set open enrollment for their benefits plans in September and October. Make sure you've done some thinking about your benefit choices for the coming year.
- *Tax extension deadline:* If you had to file for an extension on your federal taxes this year, your final deadline to file is October 15.

NOVEMBER:

- *Total your potential tax losses:* Confer with your tax adviser to see if it makes sense to sell stocks before the end of the year to balance out capital gains or losses in your portfolio or to carry forward losses for future use. Plan mutual fund sales before dividend distributions for less tax impact.
- *Spend out your flexible savings account money:* Check your employer's rules, but you should spend out the amount you put in your flexible spending account by December 31

or the end of the plan year. Schedule any procedures or medical expenses you'll have by then.

DECEMBER:

- *Give:* Make the charitable deductions you want to give for the end of the tax year. Also, remember you can make financial gifts of up to $12,000.
- *Pay deducible expenses early:* To lessen your tax impact for the current year, pay mortgage interest or property tax installments early if your tax situation would benefit from it. See if alternating using standard deduction one year and itemizing the next -- called "doubling up" -- works for you.

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If a Friend or Relative Needs Financial Help, Do it the Right Way

With consumer credit numbers and housing foreclosure rates at all time highs, there may indeed be someone close to you who needs financial help.

It could be a tough decision. Perhaps that person has had a spotless credit record and has been hit by a perfect storm of events – a lost job or sudden medical bills can destroy a person's financial future in a few short months. Of course, it could also be someone you love who has not had the best financial record and a simple jump in their monthly payment for their adjustable-rate mortgage might be all it takes to send them over the edge.

So what do you do? It was Shakespeare who wrote, "Never a borrower nor a lender be," and he definitely had a point. Money has a way of gumming up the works in a relationship, even when relatives and friends are scrupulous about paying back. Why? When you're helping someone, you're losing cash flow.

So here are some questions to ask yourself before you lend a hand:

Can you afford this to be a gift? Anytime you help a friend or relative, it's wise to consider the possibility of never being paid back. If you can't face the possibility that you will never see this money again, don't offer it. Talk to a trusted financial or tax adviser about your financial flexibility to assist someone in trouble.

Is there some other help you can offer besides money? If a person has a sick relative and they can't afford respite care or if their home has undergone damage due to a storm, can you donate elbow grease or some other relevant support besides cash? If you can offer help in a way that actually cuts a friend's or relative's costs and saves them time, that could be more relevant in the long run.

Would you know how to structure a private loan? Private loans between friends or relatives require documentation and the advice of a financial expert such as a financial planning professional can be helpful in this case. Loans can be structured in a way to give the lender a better deal than CD rates and a borrower a significantly better deal than a bank, but it involves a binding agreement and both sides being informed about the consequences of breaking it.

Can you and your friend or relative discuss money honestly? There's no more loaded a topic than money, and with some people, the mere suggestion of the topic can bring guilt, resentment and in some cases, anger. Discussing another's money problems and offering help has to be planned, and to some degree, rehearsed.

Will your attitude about this person change? Money is a big window into a person's life – you may have been friends forever, but once you get a glimpse of a person's financial circumstances, you might see them differently or possibly feel you know too much about them. Helping someone close with money can definitely change the balance of power in a relationship, and if you value the relationship, you really need to know if your perceptions will change about the person if you offer help.

How does your spouse/partner feel about you offering help? In the best of relationships, couples sometimes fight over the help and support one might offer their friends or members of their family. It is always wise to discuss all of these issues with a spouse or partner *before* an offer of financial help is made. It might uncover financial needs at home you never knew you had.

What if the one in need of a bailout is a prospective spouse or partner? This can get really dicey, or it can be a sign of how strong the relationship is. It's not uncommon for prospective spouses or partners to have credit trouble or face financial problems when losing a job or facing health issues. Couples need to set financial ground rules as part of starting a new relationship, and clearing the air about financial worries is a good step going in. Couples should exchange critical financial information and credit reports as a way of dedicating themselves to responsible financial behavior for a lifetime.

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You've got an Investment Plan. Do You Have a Self-Investment Plan?

The beginning of the year is a good time to think about how you'll handle your financial investments, but it's also a good time to consider how you'll handle your number one investment – you.

With the stresses of work and other responsibilities, people often forget about treating themselves well, but the notion of investing in you goes beyond giving yourself a little time off or a treat at the mall. If you've ever wondered if your job could be better or if you could be earning more money, or if you simply could be *happier*, it makes sense to develop a plan to get there.

Here are first steps in creating a self-investment plan.

Realize what an underpriced asset you are: You're the engine of everything – your earning power, your contact with people, your ability to take advantage of opportunities and to avoid mistakes along the way. Once you truly focus on your chances of success in a chosen field, activity or creative endeavor, the steps to getting there become clearer.

Start gathering advice: When you identify your goals, don't be shy about asking people in those specific fields and interests what it's like to be there. Ask them what they did to zero in on doing what they enjoy – and only what they enjoy. Read everything you can, and talk with all the experts you can find that will get you closer to the feeling of what it's really like to make that leap.

Tuition might be expensive, but ignorance is a lifetime liability: If it's a class or two or an entire degree program, don't automatically dismiss the ridiculously high cost of education to reach a goal. There are always ways to afford instruction – see what benefits your employer offers, check to see whether specific grant or scholarship programs may apply to your financial situation. Be entrepreneurial in your efforts to afford learning.

Make two asset lists: Try this. Write on one sheet of paper (or type if it's easier) all of your financial assets. On the second, write down all your personal assets – your ability to communicate with people in a variety of ways; your individual knowledge or skills in key areas of interest to you; the people networks you maintain that could potentially benefit you if you maximized those contacts in certain ways. Even blend your appearance into the mix. What would happen if you invested in various aspects on this second list? Could you derive more happiness in your life? More earnings? More fun? What could that investment become worth to you?

Review your career map: Maybe it's just a matter of looking closely at an updated resume, but try and focus on what you've done in your life that was really fun or engaging. Maybe it wasn't a dream job you had for years, but a fleeting experience or chapter within a career that surprised you in how happy it made you. How do you create that *experience of enjoyment,* and what investment of time and money will it take to get there?

Consider outsourcing: Most of us have a very effective excuse at the ready when people ask us why we're not spending more time doing what we're good at – "I don't have time to focus on that." What would it take to get that time? Would it involve hiring someone in to take care of household chores or bringing in a competent sitter for your kids more than once a week to allow you to launch a business or take a job you'd really like to tackle? If you're already in business and swamped, check your support system – if you have one. From answering the phone to bookkeeping, there's always a way to offset time-killing jobs so you can focus on higher-earning, higher-enjoyment ones.

Confer with your family: Single people can operate independently, but families owe it to each other to discuss goals and how they'll get there. Achieving a career or personal goal shouldn't be any different since it will likely affect a family's financial or time opportunities to do certain things. It's tough, for example, for new entrepreneurs to get time to do family vacations. There may be favorable solutions to this problem, and it may be other members of your family who help you achieve them. Be open, and make sure everyone understands your dreams.

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