FPA FINANCIAL PLANNING PERSPECTIVES

In Troubled Times, Make Sure All Your Bank Accounts Are Within Insurance Limits

The news has been filled recently with stories about bank failures and weaknesses in all areas of the financial system. If you have a variety of accounts at your neighborhood federally insured bank or credit union, it makes sense to review your balances and whether they're within the limits of federal insurance.

According to FDIC data released in late August the number of troubled U.S. banks jumped to 117 -- the highest level in about five years -- during the second quarter, up from 90 in the prior quarter. Bank profits plunged 86 percent during that quarter, the FDIC said. By August, 10 U.S. banks had failed. Many of these failed banks were sunk by failed mortgage loans. Third-quarter data is expected by year-end.

It's also a good idea to review those assets as part of your overall portfolio to see whether your holdings are properly allocated against stocks, bonds and other relevant investments to meet your goals. A financial planner can help you review your assets to ensure the mix is right on target, and to make sure you're well within federal insurance limits on the accounts you have.

For non-retirement accounts – typical savings and checking accounts, for instance -- the Federal Deposit Insurance Corp. or the National Credit Union Administration limit remains at $100,000. For certain retirement accounts, such as bank-issued individual retirement accounts (IRAs), the limit is higher – individual accounts are federally insured up to $250,000 per institution, a limit it raised from $100,000 in 2006.

The $250,000 limit applies to traditional and Roth IRAs, Simplified Employee Pension (SEP) IRAs and savings incentive match plans for employees (SIMPLE) IRAs that are held within these institutions by employers as well as individuals. Self-directed defined contribution plans (including Keogh plans and 401(k) plans) are also included under this limit. Under the FDIC/NCUA rules, all of an individual's retirement accounts at the same insured institution are added together and insured up to $250,000. It's also important to know that these retirement account insurance limits are separate from any other deposits the individual has at the same institution.

Certain revocable trust accounts may also be entitled to FDIC insurance coverage for up to $100,000 for each qualifying beneficiary properly named by the trust account owner. Under revocable trust accounts, insurable categories include: payable-on-death (POD) accounts, which are also known as testamentary or Totten Trust accounts; and living trusts. It's important to note the following when determining whether such accounts will be insured:

- The owner's spouse, child, grandchild, parent, or sibling as well as adopted children and stepchildren, grandchildren, parents, and siblings also qualify for insurance coverage. In-laws, grandparents, great-grandchildren, cousins, nieces and nephews, friends, organizations (including charities), and trusts don't.

- The account title must indicate the existence of the trust relationship by including a term such as payable on death (or the acronym POD), in trust for (or the acronym ITF) trust, living trust or family trust.

- For POD accounts, each beneficiary must be identified by name in the bank's account records.

So what happens if you find the amount you have at any bank for your retirement accounts exceeds the $250,000 limit? First, you should review your holdings to determine if you are holding too much in cash. This is why it's particularly useful to discuss this situation with a financial planner. And moving those assets requires special care. Moving retirement assets from one institution to another requires proper procedure so you don't risk owing income tax on that money or withdrawal penalties.

While you can withdraw funds and transfer the money to a new institution within the legal rollover window of 60 days, you can do this only once from the originating IRA in a 12-month period, so make sure you do all the transferring you plan to do at the same time. If you are younger than 59 ½ years of age, you'll risk owing income tax plus a 10 percent penalty on a subsequent withdrawal.

For non-retirement accounts, it might be wise to ask a financial planner about whether such options like brokered certificates of deposits would be a good solution. Buying multiple CDs at once through a brokerage firm can provide a speedy option to spread out money at different institutions with full FDIC protection.

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Make a List, Check It Twice – Ways to Keep Holiday Spending Under Control

As the year comes to a close, spending in most households heads up – on holiday gifts, entertainment and, depending on where you live, on already-high energy costs.

It's easy to lose control. So make a plan now to minimize debt while putting money where it absolutely needs to go.

Put your current finances under a microscope: Call it a gift from you to you. If you're trying to get your finances in order, plan a visit now with a financial advisor such as a CERTIFIED FINANCIAL PLANNER™ professional. This meeting should extend beyond your holiday spending to setting goals for saving, investing and extinguishing debt and setting financial goals for the future. At the meeting you can also examine your spending patterns and the emotional drivers behind many of our financial decisions. It will start the New Year out a whole new way.

Create a holiday budget: Obviously if you have credit card debt now, you don't want to elevate those numbers. Set a spending number you will *not* exceed and start setting aside cash in an account to cover it. When should you make the budget? As early in the year as possible, but if you haven't started shopping yet, figure out how much money you can realistically set aside and stay as close to that number as you can.

Avoid the binge: Staying on a financial diet can be tough. Permit yourself to stray a bit, but commit to avoiding ANY unplanned purchase above a certain threshold, such as $25.

Revamp your gift policy for all the adults on your list: Does everyone on your gift list over the age of 21 *really* need a present? The answer is as individual as your family and friends, but if you think it might be welcome, make a suggestion for a gift drawing, a budget limit, a moratorium on gifts or some other alternative where you trade off gifts for quality time. For instance, you might agree to take each other out to dinner during the New Year or find some other fun way to spend time together. You could help a friend or family member with a household project that could save them money. In any case, you'll save money and gas wandering around the mall wondering what to buy, and personal time might be more enjoyable in the long run.

Go debit: Debit cards wearing a bankcard logo are typically welcome at most stores where credit cards are accepted. This way, you pay cash without carrying cash. If you don't have such a card, you can probably get one from your bank to replace your traditional ATM card, but remember to tell them to limit your buying power to the cash balance in your account.

Start your shopping list for *next* year: With your budget figure in mind, start jotting down items when your kids or other friends and family members mention something they want. If it's something you know they'll definitely want, keep an eye peeled for that item on sale before the holiday craziness begins. Granted, you might see an item at deep discount when the holiday season officially begins, but you won't need to burn gasoline or fight your way into parking lots and through crowds to get it, which may be worth the whole difference in price.

Price gifts online, then compare by phone: Whether you plan to shop online is a separate issue, but browsing online can be a very good idea. “Shop-bot” websites like mySimon.com or cheapuncle.com can help you determine general price ranges for gifts you need that are sold online. Once you have those ranges, get on the phone and determine whether you can buy the same items more affordably at retailers close to home – again, save gas whenever possible.

Don’t forget the coupons: Coupons aren’t just in newspapers or direct mail anymore. If you know particular stores where you’ll shop, get on their e-mail lists – you’ll start getting coupons and news of specials on a regular basis. Also, if you do shop online, sites like BradsDeals.com and CouponCabin.com have promotional codes that you can type in for discounts before you hit the “total” button on an order.

Don’t forget taxes, shipping or fine print when shopping online: Online prices might look like a great deal until you realize you may be spending another 20 percent of the gift’s price to get it to your house or the recipient. Also, read product descriptions very carefully to make sure what you’re buying contains all the features of the item that you could buy at the store. At the same time, if there is a legal opportunity to avoid paying sales tax, watch for that.

Allocate spending for charity: You can either make charity a separate item in your annual budget or part of your holiday budget, but if there are specific charities you want to support by yearend, it’s a good idea to decide on those amounts before the holiday shopping season gets underway. This way, you’ll support the organizations you wish to without going outside your budget. Also, don’t forget to check with your employer to see if they’ll match your contribution and consider gifts of appreciated stocks rather than cash if it fits your charitable goals and tax situation.

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Ten Steps to Getting a Raise in the New Year

There are plenty of obstacles on the way to getting a raise from the boss – a lackluster economy, your possible discomfort talking about money, and of course, the fact that everyone else in the office probably wants one too.

But as any workplace guru will tell you, the day to ask for a raise isn't when you're fed up, or when the boss seems to be in an unusually good mood. It's when you have the right argument and the information to argue for the wages and benefits you believe you deserve. To get there, it might take several weeks or months, but it's a process that may yield benefits beyond the money. Here are 10 steps to follow:

1. Figure out why you want the raise: Sounds like a dumb question, right? Who doesn't want more money? There's definitely more to the question, though, and it takes some personal investigation. A CERTIFIED FINANCIAL PLANNER™ professional can work with you to set particular financial goals ranging from retirement to building a family and set a plan for how you'll use that money wisely when the boss says yes. It's one thing to want the money – it's another to know exactly where that money will work best for you.

2. Do your research: Try and look at your job as an outsider and then do some research to determine your value - both inside and outside the company. Be realistic. Internet job websites may not be the definitive source of salary information, but it's a good start. If you don't think it would damage your case in any way, talk to someone in your company's human resources department and see if you can get pay scales for jobs that are similar to yours inside or outside the company. And within ethical boundaries, see if you can learn precisely what other team members in similar jobs to yours might be getting so you have a valid reference point for asking for the number you've targeted.

3. Shoot for what you deserve, not what you want: Most of us would like raises and perks that would help us better afford the luxuries in our lives, but saying you want a raise just because you want a nicer car or house isn't going to get you anywhere. Employers need to see your request in terms of its value to them – the price of keeping someone

4. Document your contributions: If you have reached any particular work or sales targets that can be quantified, document them and use them as a basis for justifying your request. Show how you've been proactive taking on new projects and assignments, acquired new skills, furthered your education or training, and added new certifications or degrees. Demonstrate how you add value to your team and your employer as a whole.

5. Plan and rehearse: You plan ahead for meetings where you're the featured speaker, right? Once you have the information, plan a pitch for the raise that states all your arguments clearly, swiftly and with an understanding of what appeals to your supervisor. Above all, schedule an appointment so you have a solid block of uninterrupted time in which to make your case.

6. Demonstrate commitment to department and organization. Show how you have taken on new projects and assignments, acquired new skills, furthered your education or training, and added new certifications or degrees. Demonstrate how you add value to the department and the organization.

7. No ultimatums. Nothing shuts down a meeting about money faster than an ultimatum. It makes it easier for the boss to say no, and if you don't have a Plan B, then it's going to get awfully quiet. Always be prepared with a counteroffer if you can't get the dollar target – see if you can negotiate different hours, more vacation, education benefits or better projects. The idea is not to get mad – it's to get something from them of real value to you. What that final compromise is will tell you whether it's worth staying with this organization or whether it's time to plan for a departure.

8. Be realistic about the economy: Most people can tell whether their organizations are legitimately struggling with the economy or other competitive factors. As long as your organization is treating people fairly across the board in light of poor economic factors, it's probably something you're going to have to accept. Also, remember that the way you handle this request might actually position you for a raise – or a better one – when conditions improve.

9. Document the meeting: No matter how things turn out, write up your version of events as soon as possible after you meet and share that information with your supervisor. Even if the meeting was disappointing, keep emotion out of the document and stick to the facts. Keep the document handy so you can present it the next time you make a salary pitch.

10. Revisit your career plan: Whether you get what you want or you don't, do a post-mortem on this experience and think about whether you want to stick with this job or consider new opportunities. Your CERTIFIED FINANCIAL PLANNER™ professional may be a great sounding board in this process, so don't hesitate to use her.

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