

Want To Save Money In a Tough Economy? Go On a Fee Hunt

With a worsening economy, many Americans are taking extra care to keep their cash and plastic in their wallets. However, the number and amount of fees for all sorts of everyday expenses and items are like an invisible vacuum for nickels, dimes and dollars that could otherwise be put to better use. The solution? Awareness of where these multitude of fees are utilized, effective planning, scrutinizing of bills and most importantly, comparison-shopping.

Here's a list of fees large and small that you should watch for and stamp out or minimize over the coming months:

Bank fees: Let's start with the obvious. Fees at banks and other savings institutions have recently been reported at all-time highs. Bankrate.com reported last fall that ATM surcharges, bounced check fees and monthly service fees all increased from September 2007 to September 2008. ATM surcharges are at a national average of \$1.97, up nearly 11 percent, bounced check fees rose an average 2.5 percent to \$28.95 and monthly account service fees hit \$11.97, up a nickel from 2007. Bankrate also reported that the minimum account balance that customers need to maintain to avoid those fees rose to an average of \$3,461.84, up 4 percent. Also, some banks charge fees for the usage of debit cards, which consumers use to avoid paying credit card fees.

Before vacations and trips to places where your bank doesn't have ATMs, make sure you withdraw the cash you'll need ahead of time, and only for expenses you have planned. Watch your balances like a hawk so you don't risk overdrafts – and remember that signing up for overdraft protection will cost you another fee -- and start comparison-shopping at banks and credit unions for the lowest account minimums to avoid fees. As for debit cards, talk to your bank about any fees they may charge on their debit cards that carry a major credit card logo, particularly if there are awards attached to its use.

Credit card fees: These can eat you alive. Late fees, processing fees, and surcharges on cash advances are just some of the fees that banks and credit card companies use to increase their revenue. Just as you become more diligent in examining your banking options, apply the same standards to your credit cards.

Retirement plan fees: If you work for a company, it makes sense to ask your human resources department how much they're paying in fees to your 401(k) plan manager – or managers. They might not actually know, and that's a good indication that they're not shopping well enough for your plan. It's also important for you to investigate the fees on the retirement money you invest by yourself in IRAs and other brokerage accounts and plans.

In the past months, Congress has held hearings on 401(k) fees and how it's tough for individuals to tell what they're being charged. As investments struggle back, it's appropriate for investors to become better informed about what they're paying to have their money invested.

Portfolio management fees: Also known as assets under management (AUM) fees, these are various fees that might be assessed against professionally managed portfolios. It is always important to understand these fees, see how they compare with competing types of portfolios and investments and keep an eye on what triggers them.

Travel fees: It will be interesting to see what the travel industry does about the heaps of fees it charges with the slowing economy, but you shouldn't assume you'll get a break if you actually do get to travel this summer. So be vigilant. Check on airline cancellation and change fees. Some airlines still offer liberal and flexible cancellation policies. Others may be more restrictive, yet that may be offset by other considerations.

Pack light so you won't have to pay a second bag fee or an overweight fee for a single bag. Query prospective hotels on all the charges they can potentially tack on to your bill for things you don't plan to use like gym or certain entertainment fees. If you've never done that, it's time to start. Also, check on parking and in-room Internet access fees. Weigh the cost of travel insurance against potentially pricey cancellation fees and hotel room charges that you'll automatically have to pay if your trip is delayed by weather or an emergency. And make sure you query your rental car company on fees that apply to the places you're going and whether it may be cheaper to rent in town than from the airport.

Store fees: Avoid retailers who charge restocking fees, particularly for electronics. And sign up for loyalty programs that not only give you bonus points to use on future purchases but provide you special money-off coupons online, in the mail or at the register.

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Planning For Your Child's K-12 Private Education

According to the latest figures from the National Center for Education Statistics, the average annual private school tuition for grades K-12 stands at \$6,700, not including additional fees and expenses that many schools require if your child participates in extracurricular activities. That might seem like a staggering amount until you consider the annual tuition some Americans are paying right now.

For example, President and Mrs. Obama will be paying Sidwell Friends School nearly \$60,000 annually to educate their daughters Malia and Sasha. For 7-year-old Sasha, the Sidwell Friends Web site quotes grades K-4 tuition at \$28,442, and for 10-year-old Malia who will be going into middle school, \$29,442.

The Obamas, whose 2007 tax returns show a household income of \$4.2 million due largely to a bump from the President's book earnings, might have an easier time paying that bill than most. But for everyone who considers a private school alternative for their children, the planning process must start early – when the child is an infant, if possible -- and should be done in tandem with a savings plan for college as well.

One source of help might be a financial planning professional who specializes in education planning. To get started, here are a few ideas you might consider.

Compare both public and private schools: Some parents dismiss public schools out of hand. But particularly in today's economy, a failure to thoroughly investigate local schools and their benefits can be costly. And that's not all. Private education is a major commitment beyond money – many private schools have particular education philosophies that parents need to accept for the long term. Make a study of all the academic programs and extracurricular activities available to your child in both public and private schools before you absolutely commit to the private school alternative.

Know your child will likely have to test their way in: Certain private school admission tests, like the Cooperative Entrance Examination (COOP), are only given once a year. Others may be offered at different times, but find out what prospective schools require and set a test date. See what kinds of test preparation are required.

Get savings accounts in place: Talk to your financial planner or tax advisor to see if you qualify to take advantage of the tax advantages offered through the primary, tax-advantaged savings accounts offered for education expenses for children under 18. Coverdell ESA accounts, which allow a \$2,000 annual deposit to grow tax-free to cover costs at public or private elementary and secondary schools and not just tuition – they can also cover uniforms, computers and transportation expense.

Look for scholarship money: It's wise to start an early search for scholarship and grant money because it's money you won't have to pay back. One of the best-consolidated resources

for K-12 financial aid is Finaid.org, a website that deals with both K-12 private school funding and college savings and financial aid as well. Make sure you also look into private resources for money, such as scholarships offered by professional and private groups to which you belong.

Ask about discounts and other breaks: Some private schools discount tuition if you have more than one child in a school and may provide additional breaks if you fit certain demographic criteria. Parochial schools may also grant discounts for church members who tithe.

Reset your household budget: There are very few parents with average incomes who can send their kids to private schools while taking elaborate vacations, eating lots of meals out and redecorating the house every couple of years. Educational priorities can trump many other spending decisions, and a financial planner can help you identify plenty of areas where you can save money and get the best results from your savings and investments.

Make some tough decisions about college: How do you save for both private K-12 and college at the same time? Some experts feel that if you make the investment in private elementary and high school – and your kid works just as hard as you – you'll put your student in a much better position for scholarships and grants as they head for college. It's a gamble, but one that many families make every day. But don't do it without the best advice you can get. Talk to a financial planner about the best strategies to get there.

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It's Tax Time Again – Take Advantage of These Changes for Your 2008 Return

It's time to start working on your taxes if you haven't already put them in the hands of your tax preparer or CPA. Take a look at some of these changes you'll be incorporating in your return, which will be due April 15.

The bracket break: Washington has broadened the tax brackets somewhat, meaning that all tax brackets are set at levels of income that are roughly 2 percent higher than they were in 2007. Basically, the higher your income, the more you save as more dollars fall into lower brackets.

Personal exemptions up: The **personal exemption** -- which you claim for yourself and each dependent -- is \$3,500 for 2008, up \$100 from the previous tax year. If you are in the 25 percent bracket, it will save you \$25 for each exemption you claim.

Standard deduction rises: The standard deduction will rise for each filing status. Singles get a \$100 hike from 2007, to \$5,450. Married couples filing jointly see their standard deduction rise to \$10,900, \$200 more than they claimed on 2007 returns. The standard deduction for heads of household who do not itemize deductions increases \$150, to \$8,000. If you do not itemize, and paid real property taxes, you will be able to increase your standard deduction by \$500. if single, \$1,000 if married filing jointly.

Disaster damage tax relief: The severe storms, tornadoes and hurricanes from spring through fall designated a surprisingly large number of counties around the nation as eligible for tax relief. To check if your community has been designated, go to the IRS website at www.irs.gov.

New first-time homebuyer tax credit: Anyone who bought their first home after April 8, 2008 may qualify for a new tax credit equal to 10 percent of up to \$75,000 of the purchase price. It doesn't absolutely have to be your first home -- you're eligible if you haven't owned a residence in the U.S. in the previous three years. The credit phases out between \$150,000 and \$170,000 of adjusted gross income for joint filers and \$75,000 to \$95,000 for single filers. It is refundable if it exceeds your regular tax liability, but it doesn't offset the alternative minimum tax if -- which means that if it more than offsets your tax liability, you'll get a refund check -- but does not offset the alternative minimum tax. Also, you should be aware that you need to repay this credit at roughly \$500 a year until it is repaid, and if you sell before it's repaid, you'll end up repaying the balance the year you sell. However, if your profit on the sale is less than the remaining balance on the credit, the amount you have to repay is limited to your total profit.

Remember your retirement: If you and your spouse file jointly, by contributing to a traditional IRA each of you might be able to deduct up to \$5,000 if you were under 50 by the end of 2008. If you were older by yearend, that deduction rises to \$6,000. Keep in mind this deduction may be allowed (but may be limited) if you both were "active participants" in a retirement plan and your 2008 modified adjusted gross income (AGI) is less than \$105,000 if married filing jointly or you are a qualifying widow or widower (or \$63,000 if single).

If one of you is an active participant (check your W-2) and the other is not, then the one who is not active may still be allowed to make a deductible contribution if modified AGI is less than \$169,000. Contributions must be made prior to the required filing date for your return. Some employer qualified plans may also allow large employee deductions prior to year's end—if you can afford to make one, check with your plan administrator.

Bigger breaks on employer-paid parking and transit passes: Employees won't be taxed on up to \$220 a month of employer-paid parking, up \$5 per month from 2007. The cap on tax-free transit passes their employers can give workers rises to \$115 a month, up \$5 a month from 2007.

AMT exemptions: For 2008, the exemptions on the alternative minimum tax are \$46,200 for single taxpayers and heads of households, \$69,950 for married couples filing joint returns, and \$34,975 for married couples filing separately. Unless Congress steps in, the exemption levels will drop to \$45,000 for married filing jointly, \$33,750 for singles and heads of household, and \$22,500 for married couples filing separately.

Direct Donations of IRAs to Charity. For 2008 and 2009, IRA investors age 70½ and older can donate up to \$100,000 of their IRAs to charity without having to report the withdrawal as income.

One more point about IRAs: For 2009 only, you can choose not to take your Required Minimum Withdrawal from qualified plans or IRAs. This applies whether 2009 is your first year, or you have been withdrawing for a while. It does not apply if you postponed your 2008 First Required Minimum Distribution to the first quarter of 2009.

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