

Resetting Your Recession-Era Budget? There May Be Money in Places You Haven't Checked

Despite small glimmers of light in an otherwise worrisome economic picture, Americans are still losing their jobs and companies are still cutting back. So if you're looking for ideas to raise cash during these tough times, here are a range of things you should try and a few things you should avoid.

Start with a family meeting: Sometimes the best money strategies come from coming clean. A family meeting, where everyone identifies areas where they can save a little is a good first step to finding more solutions. Here's the point. If you want to find cash, the best place to start is by cutting things you and other members of the family don't need. Admitting those things is the first step to saving money.

Find additional income: If you can add hours at work or find a second job, do it. Obviously check with a tax professional or a Certified Financial Planner™ to find out if this additional income might put you in a higher tax bracket and therefore defeat the purpose of gathering that income. In most cases, bringing in more cash is a better way to solve a funding problem than liquidating assets.

Find alternate transportation: Take the train, carpool, or if you can, get rid of a car you really don't need. Once you count up your expenses for gasoline, insurance and maintenance expenses, you'll definitely find a significant pile of cash. And if you decide to keep your car, you should definitely rebid your auto insurance to get a lower rate or to decide whether to drop collision coverage on a paid-off set of wheels.

Tap your emergency fund: Note that we put this item a few notches down because you should always find ways to preserve an emergency fund if you can. As a reminder, every individual or family should have an emergency fund that contains enough money to cover 3-6 months of living expenses. Oh, and if you don't have an emergency fund and you don't have to pay off debt, it might be wise to redirect the dollars you save into building one.

Sell taxable investments – if they're still at a loss: Again, this is a good reason to consult your tax or financial adviser first, but selling some losing investments might be a good way to raise cash in a hurry. Note that we're not talking about IRAs or any other tax-advantaged accounts. But taxable investments sold at a loss – if they're investments you feel you can live without in the future – might kill two birds with one stone, making your bank account and tax picture healthier.

Ask a family member or a friend for a gift: If you don't feel it will damage your relationship, it might be worth asking if friends or family can offer up to the \$13,000 is the annual tax-exempt gifting limit in 2009. Remember that a friend or relative may give an unlimited amount if they write the check directly to a school or hospital, but they should check with their tax advisor and those institutions for the proper way to transfer those funds.

Crack open a CD: You might want to cash in a CD before it's due only if the penalty or lost interest doesn't make a difference to you. Depending on the CD's term, you might end up giving up all the interest you've earned if you've held it only a short time but getting cash in hand might be worth considerably more to you.

Borrow against a whole life policy: If there's cash value on a whole life policy you can borrow against, check it out. The rate will be low and the money's fairly quick – just don't liquidate the policy without checking.

Ideas you should avoid.

Withdrawing funds from your IRA: If you're under 59 ½, you're going to have to pay a 10 percent penalty and you lose savings momentum. And no, you can't borrow from an IRA – you can only withdraw and pay penalties.

Credit card cash advances and convenience checks: Despite tantalizing zero-percent offers, you'll be paying hefty fees to borrow – anywhere from 2 to 5 percent of the check amount – in addition to the interest you'll be charged until you pay off the balance.

Payday loans: The interest rates on payday loans can start at 30 percent and eventually gather fees that can lead to a triple-interest-rate cost for a simple loan of a few hundred dollars.

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Eldercare Is Expensive, So Planning and Negotiation Is Key

Each day, millions of Americans discover an aging relative or friend needs help. It can mean planning for more services and assistance to get them through their daily lives or it can mean dealing with a sudden and serious health crisis.

The costs of each stage of care for elders can be shockingly high. And if individuals have time to consider their options before a relative needs those options, all the better – a chance to plan is a chance to spend and save smarter.

So many parents face a weighty triangle of expenses in middle age – college tuition for the kids, eldercare costs for parents and other relatives and of course, the responsibility of saving for retirement. A good first stop is with a tax and a financial advisor such as a Certified Financial Planner™ professional. A CFP® can give you an overview of how you stand financially in these three key areas so you can make plans going forward.

Here are some general ideas to consider in managing the costs of caring for an elder:

Start by evaluating the senior's finances: If you have time and a good rapport with the senior, you have a valuable opportunity to settle a lot of important details. If there's not a pending emergency, it's a good idea to schedule a family meeting between you, your spouse and the elderly relative to make sure you understand what assets they have and how they want those assets applied to their long-term care. And even if an elderly relative is older but in relatively good health, it might make sense to check the cost of long term care insurance as a backstop to their savings. The premiums will definitely cost more – sometimes considerably more – than the average 50-year-old would pay, but depending on the relative's situation, such a move might make sense.

Make sure key documents are in place: It's also important that you ensure that the elderly relative have critical documents in place such as a current will, relevant legal and health powers of attorney and any written instructions relevant to their care, their funeral wishes and other property issues. All that information should be stored in an agreed-upon place that all key decision-makers can get to easily.

Start researching care options now: In every community there are guides to various community programs, assisted living centers and nursing homes. These are generally good places to start gathering possible locations and services you'll need and to start comparing costs. The worst time to gather this information is after a relative suffers a stroke or other debilitating illness that requires an immediate decision. It might be best to work with the elderly relative in selecting these services if they're willing to do visits and compare features. It might make sense to hire the services of a certified geriatric care manager to help you assess proper care options and reviewing insurance options to make sure those services are paid for.

Make sure the care option fits the stage of health as well as the budget: Home health aides obviously allow a relative to stay in the home and have company when

traveling outside, but adult day care can be a cheaper option. Also, part-time caretakers can handle key tasks and supervision as needed – keep in mind that responsible college students need money more than ever and can help with grocery shopping, cleaning, meal preparation and supervision on health issues that medical personnel don't always need to be present for.

Once the clock starts, be prepared to negotiate: Remember that various assisted living and nursing facilities have turnover and that if a center isn't full to capacity there might be wiggle room on rates and fees. Also, key cost drivers can be basic items you never think about -- tissues, toiletries, wipes, adult diapers, laundry service and other support items that residents use in these facilities either individually or with help. Buying or supplying these items outside the facility may save considerable dollars.

Consider shared rooms if money is tight: Private rooms are expensive in any setting, and it always makes sense to check the shared-room option in a facility as a way to save money. Of course, make sure the rooms are acceptable to the family member.

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In Troubled Times, It's Never Too Early to Teach Kids about Money

If personal finance education was mandatory in our schools, would the nation face the perilous economic problems it faces today? It's a good question, but largely moot. Many elementary and secondary school systems offer some money education, but not as a K-12 discipline.

Which means that money training needs to begin at home. Most experts agree that the younger those kids get that money training, all the better. If you're already planning your family's financial future with an expert such as a Certified Financial Planner™ professional, such an expert might advise you on ways to teach your kids about money as well.

Here are some initial steps:

Consider an allowance: As early as kindergarten or first grade, your child is going to have to start paying for things they want or need. Try to match the allowance closely to the expenses the child is expected to cover – that way, they learn that their spending is not unlimited. Decide whether she needs to earn an amount for extras – toys and candy, for instance – then stress why working for treats is important. When kids are younger, you should keep a frequent watch over how they're handling their cash – checking in every day or so – and then spread out that oversight as they age.

Watch how you act with money: Children learn by example. Do you drive a bigger car than you can afford? Every time you go to the store, do you pull out a credit card to pay? Do you and your spouse or partner fight openly about money at home? Your child hears all of this. While parents can't be perfect, think about the money behaviors you're demonstrating in front of the kids, and try to make them positive.

Buy a piggy bank: Young children need this tried-and-true symbol of saving. They need to know there's a place to put pocket change they don't spend, and they are free to tap it only to accomplish a goal that the both of you discuss. This isn't about buying stuff. It's about setting goals and knowing where the money is. Make sure they count their money before spending it, and make sure they do the same thing at the store while they interact with the cashier. Once they learn that money is finite, they'll start making their first spending decisions.

Don't miss an opportunity for a lesson: Watch your child's behavior – see what she wants to buy. Ask her how they plan to pay for things. This is your window on whether your money messages are getting through. "I want" and "I need" are always opportunities for you to teach. Some pretty serious money issues can come out of the mouths of babes. Listen for them. Also, teach your kids to make spending "wish lists" throughout the year – these are not only lessons in delayed gratification but prioritizing needs and wants.

Have them open a savings account: If small-balance passbook accounts still exist at your bank, do the old-fashioned thing and go with your child to open one. Make sure she keeps her bankbook or monthly statements in a safe place, and make sure she deposits funds at least once a month to get in the habit. You can open a Coverdell Education IRA with small deposits and the funds can be used for education needs K – 12 or for college. You might also consider mutual funds geared toward children as a way to expand their learning about money and the markets.

Handle money mistakes carefully: Everyone makes mistakes with money, and it starts in childhood. Kids will lose money, spend it on the wrong things or possibly give it away to others at the wrong times. It's generally a good idea to ask the child whether that was a right use for the funds and what they might do the next time. The point isn't shame – it's a chance to teach correct behavior.

Discuss charity: This may be a cultural issue within families, but increasingly, kids are involved in charitable and community activities as part of their educational process – it even figures into the success of college applications. Teaching your children to set aside a little for those who have less than they do might be a good first lesson in what should be a lifetime of sharing with others.

Adjust the conversation as they age: As children become teens, they want more autonomy with their spending. You need to match that trust with accountability. If you deposit money in an account for them to spend on essentials and treats, talk about what you are willing to pay for in addition and make those agreements ironclad. Kids will always come to you with their hand out, but they need to know when you'll say "no."

Be open about your investments: Kids are sponges. They know if their parents have investments just by watching what's in the mail. Start talking about why you buy stocks, bonds or mutual funds to help pay for their education. If your child asks you to buy a book or subscribe to a magazine or newspaper so she can learn more, don't think twice – just do it.

Talk about college early: Even if you plan to pay your children's entire tuition, you need to talk about the financial investment college represents long before they go. You can also talk about whether your child will have to pay any expenses on his own and how he'll earn them. The massive investment college represents presents a great opportunity to discuss what the most important things in life really cost.

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