

Weingarten Associates, L.L.C.

Plan now for a calm financial future

Three Smart Financial Planning Tips (plus a bonus tip!)

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Financial Planning Tip #1: Manage your capital gains and losses

Okay, so your stocks have done well lately. Do you realize that the unrealized gains amount to a potential tax liability? If you have unrealized losses on some of your holdings, do you realize that these losses amount to an asset? The question becomes how do I minimize the liability and maximize the value of my asset?

For starters, if you sell the losers in your portfolio, these can be used to offset any realized gains. If you do not recognize any gains, then you can use your losses (up to \$3,000 per year) to offset ordinary income. Hence, if you realize \$3,000 in losses and you are in the 35% tax bracket, this 'tax asset' represents \$1,050 in real money to you.

What about those unrealized gains? For starters, think about how much you give to charitable organizations each year. Let's say you give \$5,000 per year, but you generally just write checks out of your regular checking account. Well, there are ways you can donate appreciated securities to most non-profit organizations. You receive a double tax benefit because you get to deduct the fair market value of the security you donate, plus your appreciated gain in the security disappears as well. (When the charity sells the security there is no tax to pay: they are a non-profit!) You can always replace your equity positions with a new purchase (and a new, higher cost basis) from the \$5,000 that is now in your checking account.

Financial Planning Tip #2: Fund your retirement plan to the max

You have certainly heard this one before, but it bears repeating. Funding a company-sponsored 401k to the maximum limit will almost always save you big tax dollars. Let's assume you are eligible to contribute \$14,000 to your company retirement plan this year and you are in the 25% tax bracket. Your federal tax savings will be \$3,500 and possibly more. Since your contributions reduce your *adjusted gross income* (or AGI), and many other deductions are based on AGI, you may increase other deductions by increasing your contribution to your 401k plan. Many companies are making the default selection on their plan documents the maximum contribution. This means employees must proactively select a lower number than the maximum percentage allowed by the plan. In the past, employees needed to 'opt in' by selecting a contribution rate above zero. This should help people fund their retirement plan AND save on taxes in the future.

Financial Planning Tip #3: Raise your insurance deductibles

Go to your declaration pages for your auto and home insurance policies and look for the amount of the

deductible for collision and comprehensive on your auto policy, and the deductible for dwelling coverage on your homeowner's policy. If it is lower than \$1,000 than it is probably too low. Most people have their deductible at \$500. Here is what you need to consider: if you raise the deductible to \$1,000 how much will you save annually on your home and auto policies? You may find that you will save a couple of hundred dollars each year. Not that big of a deal you say? Well, that couple of hundred of dollars is insuring the difference between the \$500 deductible and the \$1,000 deductible. Not a good deal for most folks. Insurance is there to protect us from financial *catastrophe*, not small losses. Finally, when it comes to property and casualty insurance, do not forget about an umbrella policy which will provided extended personal liability coverage.

Bonus Tip

This is not so much a financial planning tip as a general tip to help save you time and frustration when dealing with those pesky 800 customer service lines. If you have ever found yourself in 'voice response hell' then I hope this link will offer suggestions to help you avoid this in the future. Click here for the 'Cheat Sheet': <http://www.paulenglish.com/ivr/>

Paul English offers tips to get through corporate "Interactive Voice Response" systems for many large companies. This link: <http://www.paulenglish.com/ivr/info.html> provides suggestions for bypassing the system all together. My personal favorite and one that I have used with much success in the past is to simply call corporate headquarters and ask for the CEO's office. When I call the CEO's office, always get the name of the person you speak with and always speak politely. This is critical, even if you are upset. Once you are at this level you are almost assured of having your situation resolved plus a little extra if you ask nicely.

I offered this tip to my father recently and he was rewarded with a \$500 credit from one of the companies on the 'Cheat Sheet.'

If you have any questions about how to go about doing this, give me a call at (609) 620-1770 and I'd be happy to speak with you about this.

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