

Saving For A Rainy Day - Here's How

Many of us dream of winning a lottery and there's nothing wrong with dreaming, as long as you remember to take care of the basic financial planning. The truth is that the odds of having to reach your financial goals through the lottery are slim. Yet, experts estimate that three out of five Americans neglect to set goals for long-term savings.

A Plan of Action

Any financial planner knows that the first step to saving is to make a commitment to do just that. It may seem impossible if you feel caught in the cycle of paying your bills and then having nothing left over. But even a small percentage of your paycheck set aside in savings is going to add up.

Ideally, you should reserve a minimum of 10 percent of your paycheck for savings. But what if that seems impossible? There are other solutions than just making more money. Saving also takes discipline and time.

So, the best strategy is to review your total financial picture. You may want to consult an expert who can point out ways to improve your balance sheet. Financial planners can help you review every aspect of your expenses.

Ways To Save

One of the first strategies an expert will take is to look closely at your annual expenses. Everyday living expenses, such as your mortgage or rent payments, utilities, transportation and grocery bills are unavoidable. If you shave \$100 per month or more from these monthly expenses, you will have saved an additional \$1200 or more through the course of a year. Those earnings could allow you to open a CD (Certificate of Deposit) or IRA (Individual Retirement Account).

It's also important to review insurance policies on a regular basis. You may be able to save hundreds of dollars each year by increasing deductibles on your homeowner's or auto insurance policies.

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MoneyLetter

Ideas & Strategies for Success

How To Survive An IRS Audit.

By Tasha Seward,
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Notification from the IRS that an audit of your tax return is underway gives most people a bad case of the jitters and generates a quick call to the accountant or tax preparer for advice or reassurance.

The chances of being audited are fairly slim. In most years, only about one percent of all returns are audited. However, your chances increase as your income rises.

It's also true that taxpayers that undergo an audit don't always pay additional taxes. However, as your income increases, the likelihood of having to pay additional taxes from an audit increases as well.

In the course of 20 years of filing tax returns, you have about a 50 percent chance of being audited. Understanding some audit procedures and a few tips from accountants on how to respond may help you cope better should an audit occur. First, not all letters from the IRS mean that you will be audited. You may receive a notice saying that you have made a mistake and you need to send additional money.

If this is the case, before you send the money, be sure to go over your return. If a tax preparer was involved, have him or her go over the return as well.

If you do receive an audit notice, the IRS has different types of audits, the most common of which is handled by mail and is the simplest. There is also the "office audit" —

at the IRS. This is preferred over the "field audit" which is at your business office if you have one. The "field audit" is usually more detailed. If you are asked to sign a "Consent To Extend Statute of Limitations" form, you might consider first consulting your tax preparer or attorney. The statute of limitations is generally three years.

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If the IRS has not had any contact with you for two and a half years, and now wants to audit your return, ask for an explanation. The IRS has a policy that it must show "extraordinary reasons" as to why it wants to start up an audit at this late date.

Deciding who to take to the audit with you depends on how complicated your tax forms are. Of course you may take a spouse. If you have complex returns, you might consider talking with your tax preparer about attending. However, if it is a routine audit, you may be able to handle it yourself.

Remember to treat the IRS agent or examiner with respect, and to be friendly but firm. If you think you are correct, be persistent. And of course be honest; it is a crime to intentionally lie to an IRS auditor. If you disagree, you can ask for a meeting with the auditor's supervisor. There is an

appeals procedure that you can follow, but you might consider consulting with your tax preparer first.

Over the years many people have tried to figure out what criteria the IRS uses to determine who is audited. The truth is — only the IRS knows. The IRS does use a computer model called the Discriminant Function System. It picks out returns that do not conform to normal patterns of income and deduction levels and rates them accordingly. Those with the highest ratings earn an audit.

However, some IRS audits are completely unavoidable. Among these are 50,000 individuals chosen by the Taxpayer Compliance Measurement Program. The purpose of these audits, which occur only in certain years, is for the IRS to measure the degree of taxpayer compliance with tax regulations.

No matter when or how you are contacted by the IRS, take a deep breath and remember that they are just doing their job and not out to make your life miserable. If it is less stressful for you, let a professional tax preparer take care of it. If you are comfortable dealing with the IRS make sure you have all of the information requested and only the information requested. **\$**



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One area of savings many Americans fail to take advantage of is effective tax planning. You can speak with an accountant for details regarding your specific needs.

You are no doubt familiar with the last strategy — cutting back on discretionary spending. This includes money spent on movies, gifts, dining out and vacations. However, experts caution that trying to deprive yourself of all types of entertainment expenses may make you more likely to overspend.

You can look at ways to save money and still enjoy yourself. Renting a movie instead of going to the theater is a good example. It's estimated that Americans are spending nearly twice as much on home movie rentals compared to the box office.

There are numerous ways to save money on vacation expenses. Shop for discount travel packages or opt for two weekend trips instead of a whole week at the beach.

Once you make the decision to save money, you've taken the biggest step in reaching your long-term financial goals. But, it's important to stay committed to your goals and accept that it takes motivation and discipline to continue your plan. In the end, you'll have the reward of greater financial stability and the knowledge your future is on firmer ground. §

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RETIREMENT PLANNING

There Are Numerous Forms Of Joint Ownership... Do You Know What They Are?

Many couples believe joint ownership of assets is the easiest way to avoid estate and probate court problems after the death of a spouse. In fact, it can be a useful tool in estate planning, in many occasions offering a number of advantages. Nevertheless, the form of joint ownership selected needs to be carefully evaluated.

In addition to understanding the legal ramifications, considerations need to be made in the interest of not only the surviving spouse, but also other family members whose long-term needs may be directly affected once an estate plan is put in motion.

Types of Spousal Joint Ownership

Tenancy in Common: Husband and wife have what is considered a separate interest in jointly owned property. Neither spouse has the right of survivorship.

Tenancy by the Entirety: Husband and wife share interest in the property and act together if and when they dispose of the property. The surviving spouse inherits the property outright.

Community Property: In a number of states, this is considered an equal partnership between spouses for all property acquired by the couple during marriage.

Joint Tenancy with right of survivorship (WROS): This is the most frequently used type of joint ownership. Two individuals hold ownership of property, and on the death of one owner, his or her portion automatically passes to the survivor.

A Complex Matter

In addition to the above options, laws affecting joint ownership vary from state to state, often making decision on its use difficult. This is especially true in consideration of the fact that for 2009 federal estate laws provide for a \$3,500,000 exemption before estate taxes are payable to the government.

The best time to review the status of jointly owned property is when having your attorney prepare your will(s). He or she can explain the types of joint ownership, the rules in your state, and their consequences.

Joint ownership can also create problems for couples dying "intestate" — or without wills. For example, say the husband's mother lives with a couple in their jointly



owned house. The mother is ill, and both husband and wife intend to provide shelter for her for the foreseeable future.

However, one day the couple is involved in an accident in which the husband dies immediately, the wife a month later. At the husband's death, jointly owned property passes to his wife. Upon her death her property passes to her family.

Because laws affecting it vary from state to state, decisions on joint ownership of major assets can be complex.

Because the couple considered joint ownership to be a good substitute for having a will, the elderly mother inherits none of her son's property.

A final important factor in joint ownership is federal estate tax. Today, it's possible to pass unlimited assets to a surviving spouse without federal tax; however, even this can have major drawbacks.

Because laws vary from state to state, the professional guidance of your accountant, financial planner, and attorney should be obtained when determining the type of joint ownership you should maintain, if any. §