

Let's Talk Money™

Compliments of... Peter J. Anderson

Money and marriage: never the twain shall meet

Money means many things to people. For some, money means power. For others, money means control. Some people are tight with a dollar – they would prefer to be known as thrifty. Other married individuals believe a dollar is to be spent, not saved. With so many attitudes revolving around money, it's no wonder that it is the source of discontent in many marriages.

To reach an accord, married couples may want to follow a few steps. First, recognize your money personality. Second, reach a compromise; this is particularly difficult if a couple's money personalities are as different as night and day. Third, find ways to reduce risks and reach common goals. Finally, develop a strategy that will help you both get where you want to go.



Recognize differences

When you truly understand your own attitudes about money, compare them with your spouse's attitudes. Are there stark differences or are you closer in attitudes than you think? Compromise doesn't mean total submission, but an understanding that certain financial goals, such as buying a new home or a child's education, can be shared goals.

Also understand your spouse's need for autonomy. It may not be wise to keep everything – credit, checking and investments – separate, but a certain amount of independence can be good. Perhaps each spouse can have an individually owned credit card. You might consider having a joint checking account for most financial transactions, but perhaps a separate savings account or mutual fund for individual financial goals.

Eliminate risk

Too much independence, however, can lead to more risk. This risk may be as

simple as having too many credit cards – the interest can take many years to pay off – or as complex as having separate investments for retirement, leading to unbalanced portfolios. Some suggestions for meeting in the middle include establishing a family emergency fund to help deal with unforeseen expenses or an interruption in earnings, such as a layoff. You might also agree to pay off credit card debt: it's not only expensive but can hurt your credit rating.

Another area where coordination is very important is in the area of your investment choices. All investments carry some risk, but that risk can be exacerbated when one spouse doesn't know how the other is investing, and vice versa.

Finally, compromise but also respect each other's differences. Not only may this help your joint finances, but it might help alleviate some marital tension. Talk to your financial professionals to learn how you and a spouse can meet in the middle when it comes to shared finances.



Peter J. Anderson
Financial Services Representative
Princor Registered Representative
Financial Advisor

Principal Financial Group
4555 Lake Forest Drive
Suite 230A
Cincinnati, OH 45242

Tel: 513-489-0811
Ext. 104
Toll-Free: 800-368-6516
Cell: 513-476-7336
Fax: 513-489-0988
anderson.peter@principal.com

"When eating the fruit, think of the person who planted the tree"
Vietnamese Proverb.

I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses.

Insurance issued by
Principal Life Insurance Company,
Securities and advisory products
offered through
Princor Financial Services Corporation,
(800) 247-4123, Member SIPC. Principal
Life and Princor® are members of the
Principal Group®,
Des Moines, IA 50392,
3437052008

Principal
Financial
Group



WHAT YOU SHOULD KNOW ABOUT TRAVEL INSURANCE

When you purchase an overseas tour package or a cruise vacation, you probably also hear or read a pitch for travel insurance. Is it necessary? That depends on your needs.

All travel insurance policies should list the events that will trigger insurance benefits. Most travel insurance, for example, will cover all or a portion of the trip's cost if you cancel due to illness or a death in the family. They may not, however, insure your trip's cost if your vacation is cancelled because your destination was damaged by a natural catastrophe. And it is unlikely travel insurance will pay your claim if your company decides it can't spare you during your planned vacation time.

It pays to understand the terms of your travel insurance coverage. Some travel insurance policies will insure against lost luggage; others won't. Medical coverage varies among different policies. Pre-existing medical conditions may or may not be covered, and some policies will reimburse overseas medical claims, but not pay for emergency evacuation due

to illness. This latter feature may be a particularly important feature of your travel insurance policy if you're visiting a country where medical care isn't on par with what you receive at home.

You may be required to buy different insurance policies to insure against trip cancellation and potential medical expenses, although many insurance companies package the coverage. A newer type of coverage insures a portion of your trip's costs for any reason, although these policies may be more expensive.

Make sure you read your travel insurance policy's fine print to learn what is covered and why.



TO FILE A CLAIM OR NOT? THE ANSWER DEPENDS.

If you own a home, carrying homeowner's insurance is as much a staple as paying your utility bills. If you have a mortgage, you're probably required to own the coverage. Even if you own your home free and clear, it makes sense to carry the coverage, since your home could be your biggest asset. Understanding the need, however, doesn't simplify things when it comes to filing a claim.

It should be simple but it isn't: you have homeowner's insurance and you experience a loss that is covered by the insurance. Remember, flood and earthquake damage requires separate insurance coverage. So you file a claim with your insurance company. Easy, right?

Not quite. Your premiums may increase, while you run the risk of losing your coverage. Although insurers cannot cancel your homeowner's policy unless you commit insurance fraud or fail to pay your premium on time, they reserve the right not to renew your policy. There are some steps you can take to potentially prevent this.

First, reevaluate your deductibles. Naturally, you would want to insure against a large or total loss, but you might be better off having a large deductible to ward off the inclination to make smaller claims. Second, consider how insurance companies rate their customers. Living in an area with a high incidence of home burglaries may be more damaging than making a small claim, but you can earn some points by installing a home security system and correcting other potential perils, such as cracked sidewalks. Third, consider buying an umbrella insurance policy, particularly if your homeowner insurance limits are low.



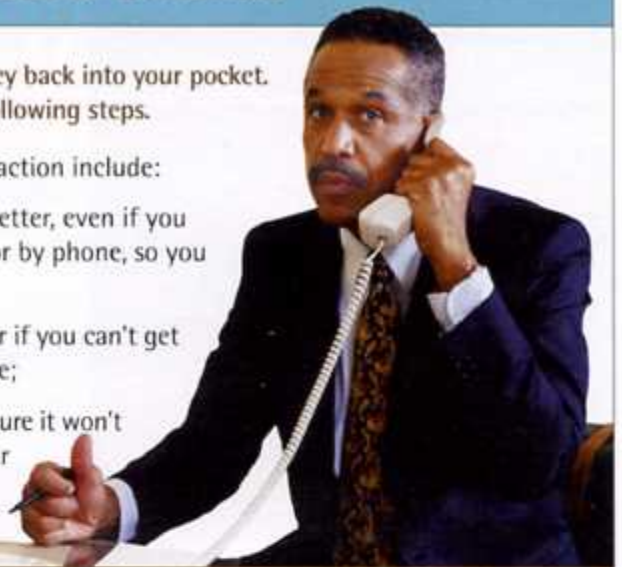
How to correct credit card snafus

To err is human, but to fight a credit card error is divine – and could put money back into your pocket. If you find a billing error on your credit card statement, consider taking the following steps.

According to the Federal Trade Commission, the Fair Credit Billing Act gives you 60 days from the date of the billing statement in question to notify the company and contest the error. It's best, however, to notify the company immediately. Do it in writing and enclose any supporting documentation. The company must respond to your letter within 30 days and has up to 90 days or two billing cycles to either agree with or deny your claim. If the company disagrees, it must explain why. The company cannot report your account as delinquent during the 90 days. (www.ftc.gov/bcp/online/pubs/credit/fcb.htm)

Some tips for getting action include:

- sending a certified letter, even if you can contest the error by phone, so you have a record of it;
- asking for a manager if you can't get satisfaction by phone;
- paying the bill to ensure it won't negatively affect your credit while you contest the bill.



HOW SHOULD YOU USE YOUR DEBIT CARD?



Every day, countless customers step up to their supermarket cash register and hear from the cashier or read on a kiosk the same question: "Credit or debit?" In some cases, it may be wise to use your debit card, but press the "credit" button, for a number of reasons.

Some banks charge debit cardholders who use their personal identification number (PIN) an extra fee; the merchants, not customers, pay a fee on credit card purchases.

Depending on the card, a debit may not offer the protection of a credit card, which cannot bill you more than \$50 if purchases were fraudulently made by another person with your card. The Fair Credit Billing Act guarantees that limited liability by law.

Your PIN may be private, but tell that to the person standing in back of you at the supermarket when you punch in those numbers. Using the credit function instead provides a little extra protection.

Knowing when your child is ready for a credit card

Is your child ready for a credit card?

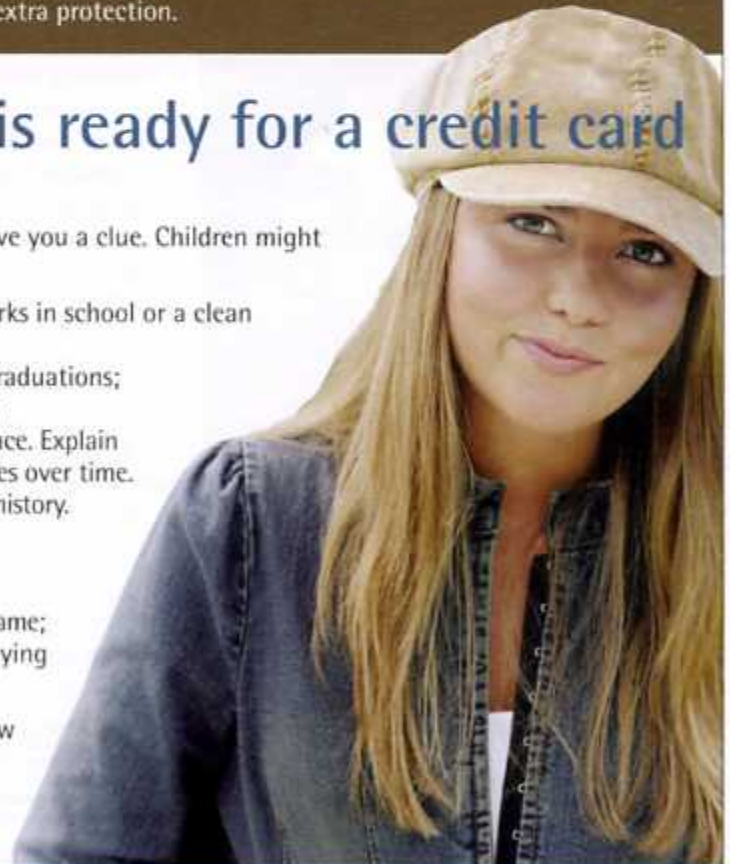
You know your child best, but there are some behaviors that can give you a clue. Children might be ready when they:

- show responsibility in other areas of their lives, such as good marks in school or a clean driving record;
- save a portion of found money, such as gifts for birthdays and graduations;
- have a checking and/or savings account, and manage them well;
- are convinced that the only way to pay credit card debt is all at once. Explain how making minimum payments can result in huge interest charges over time.
- are old enough (and responsible enough) to begin building a credit history.

Children might not be ready to handle credit when they:

- regularly mismanage a checking account;
- spend gift money before it even leaves the greeting card in which it came;
- believe that you can always buy something today and put off paying for it until later.

If your child isn't quite ready yet, consider a card that has a very low credit limit or even one in which the amount of limit desired must be matched by a pre-deposit to the card. Keep monitoring your child's credit card habits to ensure that bad habits don't develop.



Make sure a financial windfall doesn't blow you over

Sudden wealth can create more problems than it solves when you don't have the tools necessary to deal with this new wealth. Foremost among these tools is education, the knowledge that you can make the appropriate financial decisions even when your financial circumstances change.

Today, financial circumstances change drastically for people all the time. You've heard of people who win the lottery and young adults who strike it rich as athletes. More common, though, are the legions of Americans who will inherit large sums of money in the next decades, as their Baby Boomer parents pass on. With real estate values skyrocketing and large 401(k) accounts not uncommon, there are steps you can take to make sure a future financial windfall doesn't knock the wind out of you.



Consider the following steps:

- **Stop and take a deep breath.** Your first impulse may be to rush out and make an impulse purchase of a car or perhaps a luxury item. Resist this impulse. Instead, let the news sink in for a few days. Next, consult with professionals you trust. Depending on your circumstances, you may need to speak with a tax professional, an estate planning attorney and your financial professional.
- **Reevaluate your goals.** If you were struggling to save for a child's college education or for your own retirement, a large inheritance can end that struggle overnight – but only if you take the appropriate steps. If you have the financial resources, you might consider, for instance, investing a lump sum as large as is allowed by the variety of college savings vehicles that are available. You also have many retirement savings options, from 401(k) plans to IRAs. Consider investing the maximum allowed each year.
- **Understand the fine print.** It is important to understand the conditions attached to any tax-qualified saving plan. A traditional IRA, for instance, potentially grows tax-deferred, but income taxes are due when distributions are taken. You may also be eligible to make tax-deductible contributions, although that is unlikely during the year you inherit a large windfall, due to income restrictions if that windfall comes from inherited retirement accounts. In contrast, contributions made to a Roth IRA are not tax-deductible and have income limitations, but distributions are tax-free after age 59½ if the account was owned for at least five years. Other rules and restrictions apply.

The fine print is equally important when inheriting someone's tax-qualified retirement plan. Rules for a spouse inheriting these plans differ from rules for non-spouses. Also, your options for these plans, except for the Roth IRA, depend on how the beneficiary designations were set up by the account owner and whether the original retirement account owner died before or after age 70½, when distributions typically must begin. Consult your various financial professionals for specifics.

- **Weigh your options.** Your choices are many when you inherit a financial windfall. Invest the money in tax-deferred accounts or in taxable ones? Sell inherited real estate or hold on to it and rent it? Your choice will depend on your individual circumstances. It might, for instance, make sense to sell real estate in a market in which real estate values might stagnate or even decline. Or sentiment may play a part in your decision, if an inherited home has been in your family for generations. Whatever your choices, think them through before making decisions that can affect you for a lifetime.



The information provided is not intended as legal or tax advice and may not be relied on for purposes of avoiding federal tax penalties. All individuals, including those involved in the estate planning process, are advised to meet with their tax and legal professionals. The individual sponsoring this newsletter will work with your tax and legal advisors to help select appropriate product solutions. We do not endorse or guarantee the content or services of any website mentioned in this newsletter. We encourage you to review the privacy policy of each website you visit. Limitations, restrictions and other rules and regulations apply to many of the financial and insurance products and concepts presented in this newsletter, and they may differ according to individual situations. The publisher does not assume liability for financial decisions based on the newsletter's contents. Great care has been taken to ensure the accuracy of the newsletter copy at press time; however, markets and tax information can change suddenly. Whole or partial reproduction of Let's Talk Money™ without the written permission of the publisher is forbidden. NASD Reference #FR0006-0320-0219/1106/12/2006 © Market Connections™ Inc., 2006.

We Value Your Input...

Your feedback is very important to us. If you have any questions about any of the subjects covered here, or suggestions for future issues, please don't hesitate to call. You'll find our number on the front of this newsletter. It's always a pleasure to hear from you.



Recyclable

2006/03 Std

P-30330 om023835