

Let's Talk Money™

Compliments of... Peter J. Anderson



SEVEN STEPS TOWARD FINANCIAL HAPPINESS

What makes you happy financially? For some people, having enough to pay the bills each month will suffice. For others, saving sufficiently for future financial goals, such as retirement or a child's education, is foremost on their minds.

No matter what your financial goals might be, there are basic steps that may put you on the road toward financial happiness. Here are a few steps to consider:

1. Lower your credit card debt. Few topics are more contentious and more damaging than credit card debt out of control, and even a well-managed credit card philosophy can leave you paying high interest bills that may not be necessary. First, consider paying off the cards with the highest interest rates, then leaving them alone. Second, try to manage your credit so that your debt is no more than a third of your credit card limits. Finally, consider how credit card debt affects your total monthly bills each month, and take steps to lessen the load.

2. Pay yourself. It's easy to put off saving for tomorrow until later, and later often never comes. Consider putting even a small portion, say \$25 from each paycheck, into savings or investments to pay for future financial goals, such as a new house, a child's education or your own retirement. Better yet, try to save at least 5% of your net income each month.

3. Detail your expenses. If you wonder where the money goes each month, consider keeping a diary to account for your expenses. You may find that \$4 cups of coffee, an extra night out each week at a restaurant and impulse buys at the supermarket are draining your budget more than you realize.

4. Protect yourself financially. You probably wouldn't consider not insuring your home against property damage and your state probably won't let you do without auto insurance. But do you have the same attitude about protecting one of your greatest assets: your earning power? Life insurance and disability income insurance can provide a financial cushion for loved ones if death or disability threaten to derail your financial goals.

5. Take care of yourself. You might not think of your health as a key to financial happiness, but all the money in the world probably won't mean a thing to you without your health. Additionally, health care and prescription drug expenses can cost you a bundle. Take care of yourself and you subsequently take care of your finances.

6. Become financial partners. If money is a cause of disagreement between you and your spouse, consider whether it's even worth the aggravation. A smooth financial partnership with a loved one, which may include compromise, beats a constant argument about finances.

7. Remember why money is important. Why is money important to you? Remember that as you work and save for the future, the trade-off may not be worth the extra hours you put into your job at the expense of your family. The best things in life are often free.



Peter J. Anderson, CFP®
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

"Not everything that counts can be counted, and not everything that can be counted counts."
Albert Einstein

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

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A NEW YEAR, A NEW LOOK AT YOUR FINANCIAL FUTURE

Each beginning of a new year brings with it the prospect of a new beginning and bright new hopes. The best way to pursue your financial hopes is to use this time each year to sit with a financial professional and review your financial goals with an annual review.

What's in an annual review? Some items of the review are very basic. Have you married, divorced, added to your family? Has your address or telephone number changed? Have you changed employment? This and other information is important for two reasons. First, beneficiary designations for life insurance, annuities and retirement plans are affected by any changes and should be updated. Second, they can uncover changing financial needs.

Identifying those needs, or financial goals, is a key element of the annual review. First, your financial professional should work with you to make sure you are taking every advantage of company employee benefits, such as insurance coverage and retirement savings. Some employers match a portion of employees' retirement contributions and may pay for a portion of insurance benefits, so it is important to take advantage of this. Even if employers only provide access to these benefits, insurance, for example, is purchased at group rates and may be less expensive than if you purchased it on your own.

From here, you should determine if the workplace benefits are enough to meet your financial goals or if additional insurance coverage or retirement savings on your own is necessary. You'll also want to review whether other financial needs not met by your employer — college savings, for example — can be addressed by you during the next year.

By taking the time to conduct an annual review, you can work toward ensuring that your future financial goals remain on track.



Seven year-end tax reminders



APRIL 15 BECKONS, THE TRADITIONAL DATE WHEN FEDERAL AND MOST STATE INCOME TAX RETURNS MUST BE FILED EACH YEAR. WITH SOME TIME REMAINING BEFORE THE DEADLINE, NOW IS A GOOD TIME TO CONSIDER WAYS TO REDUCE YOUR INCOME TAXES.

1. You have until April 15 of this year to make a traditional IRA contribution, which may be tax-deductible and credited against 2006 taxes if you are income-qualified. Take advantage of this tax break and contribute to a future financial goal, too. If you don't qualify for the tax deduction or if you expect to be in a higher tax bracket in retirement, a Roth IRA may make more sense.
2. Review to see if you are contributing up to the maximum allowed by your company 401(k) plan. Most contributions are pre-tax.
3. You can save toward another future goal, too, through a Coverdell Education Savings Account with contributions of up to \$2,000 annually per child. Funds used to pay qualified expenses are tax free upon withdrawal, but contributions are not tax deductible.
4. You may deduct certain expenses, points or interest if you refinanced your home or bought a new home during the past year.
5. If you have a home office, some expenses may be tax-deductible. Remember that you must prove the home office is for the exclusive use of a business.
6. A tax credit for child care, elder dependent care and adoption may be available, subject to income requirements.
7. Carry over excess capital losses from the last tax year.



YOUR MONEY, YOUR REPUTATION, YOUR LIFE



So many factors can affect your finances and, as a result, your financial reputation. Here's a look at a half-dozen ways to make your financial life easier or create complications.

ONLINE BANKING

Do you fumble over paper copies of cancelled checks and keeping your checkbook straight or struggle to pay bills on time? Online banking can help make your life simpler. With online banking, you can check account balances, transfer money between accounts and even pay bills electronically 24 hours a day. Most banks have established security in place, but you should make sure that your virus protection and spyware are up to date to prevent a security breach on your end.

GOOD HABITS, GOOD CREDIT

If you co-signed a college loan, an apartment lease or credit card application for your children, their bad credit habits can affect your credit score. Rather than holding your breath and hoping for the best, teach your children good credit habits so they can build their own positive credit rating while not negatively affecting yours. Consider a pre-paid credit card — one that has a limit equal only to cash paid toward the card — to help stem overspending. Work with your child to establish a budget that accounts for every expense, then check with your child periodically to ensure that the budget is followed.



IN CASE OF EMERGENCY

Life happens. A disability, unemployment or other unexpected expenses can break a tight budget. To help ward off short-term financial disaster, consider establishing an emergency fund. Start by paying yourself — contributing a set dollar figure each paycheck toward this important financial goal. Continue to pay into the fund until you have accumulated a sum equal to between three to six months of salary. Don't be tempted to use the fund for any reason other than real financial emergencies.

PREYING ON THE DEAD

As morbid as this sounds, stealing the identities of the dearly departed is a profitable business for the bad guys. To help prevent this crime if your family has recently dealt with the death of a loved one, consider instructing all three credit bureaus — Experian, Equifax and TransUnion — to place a deceased alert in the deceased person's file. Don't make other financial information, such as a date of birth or social security number, unnecessarily public. File a death certificate with Social Security and close all financial accounts.



CHECK YOUR INSURANCE RECORDS

You check your credit records, but do you check your insurance records, too? Doing so can save you money if you find an omission or mistake. If you have automobile insurance, check to see if you take advantage of all the discounts, such as for multiple policies, airbags and alarm systems. Likewise, check your home insurance and update it, especially if you've added a home security system. Medical records can be checked through a national database, the Medical Information Bureau, which contains information insurers can use to determine your prices and eligibility for life, health and disability income insurance. If you have records on file, you can get a free copy annually. Go to www.mib.com for more information.

DO YOU REALLY NEED THIS?

An increasingly popular new type of "smart" card allows you to make small purchases by running a debit or credit card by a scanner without the need to swipe it and enter a pin number. While this may save you a little time, consider your liability should this new type of card become the latest security risk to your credit. A debit card may not offer you liability protection, while a credit card usually will.



WHEN BUSINESS SUCCESS DEPENDS ON A FEW

Whether a business is family owned or has a few unrelated owners in a partnership or corporation, the intellectual capital of the owners is one of the company's most important assets. How do you protect those assets for your company if the death or disability of an owner occurs? How do you not only survive this loss financially, but thrive as the company enters a new chapter? For many people, insurance for business continuation needs is the answer.

Start with a strategy

Before attempting to deal with the financial impact on your company due to the death or disability of an owner, you should have a well-articulated and updated business continuation strategy. What happens to your company should a partner leave due to death, disability, disagreement or retirement? How will the company replace not only the expertise, but maintain the confidence of customers?

First, you will need to value your company, whether you plan to sell to outside parties or family members will succeed you. Next, evaluate the scenarios that may prompt a change in ownership. The time to prepare your successors for ownership is before succession takes place, especially if family, partners or employees become the new owners.

Next, you should establish an emergency plan that deals with the absence of a key owner or employee. Determine how the company will deal with the loss, whether by giving additional duties to existing employees or hiring an outside contractor to meet a temporary need while interviewing replacements. Lack of such a strategy can negatively affect everything from your customers' perception of your company to the firm's credit availability from a bank. Make sure if replacements come from within, that proper training is provided before a death or disability forces new people into a situation for which they have little training or know-how.

Provide the financial cushion

Once you establish the financial and business impact the loss of an owner or key employee will have on your company,

investigate life insurance policies as a way to help ensure your company's continued success. Life insurance coverage can be designed for business continuation needs to help protect a company against the loss of an owner or a key employee.

In the latter case, key person insurance will provide benefits due to the loss of a key person, whether it's an owner or a senior manager, because of death or disability. The insurance proceeds can help a company meet the costs of finding, interviewing and bringing a new employee or owner up to speed. In another scenario, life insurance can help the loved ones of a deceased owner. When an owner dies and partners or a company buy out that person's share of the firm, the resulting financial windfall may result in estate and income taxes for heirs. Or an owner's survivors may be forced to sell the owner's share of the business, which can result in a reduced sale price if a quick sale is needed to pay potential income or estate taxes or the company needs time to rebound from the death.

There are many ways to properly structure life and disability income insurance for business continuation needs, so it's important that you work with your financial professional who is well-versed in this area. The time you take to create and fund a business continuation strategy can help reduce the financial strain on your company and heirs.

Note: Under the Pension Protection Act of 2006, unless prescribed requirements are met including notice and consent of the insured, the death benefits from business owned life insurance will be subject to income tax.



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