

Planning Ahead

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Ah, yes - planning ahead. Such a wonderful idea, but as all great plans of mice and men, they never quite get done. Does that sound all too familiar? Want to change that scenario? Okay, then let's get to work.

As that ball makes its slide downward on New Year's Eve in Times Square, most of our resolutions also start to slide, or better yet, just disappear. You know what they say about good intentions? We all start off with some great ones, and then poof, they're gone. The year 2000 can and will be different, and I am here to help you get the century started off on the right foot.

Before we totally forsake 1999, there are some things you can do to salvage some of your tax dollars that you have already kissed goodbye. If you do not have any form of retirement plan, there are two that can be set up even though the year is over.

An IRA can be established as long as the money is put into it by April 15th. That \$2,000 contribution can save you as much as \$800, assuming a combined tax rate of 40%, for both state and federal. That's \$800 that was on its way to Washington to do wonderful things like pay for a congressional junket to some big resort for our wonderful congressmen to do some "research." At the very least it will save you \$300, and that's assuming just a 15% rate.

Let's not forget that you can in fact set up a SEP (simplified employer pension plan) and put away up to around 13% of your income. Assuming an income of \$100,000, you could contribute \$13,000 and save \$5,200 in taxes at a 40% rate. Not bad at all! These are plans that you can still set up and get credit on your 1998 tax return. Not a bad way to end the year and start the new century.

Before we leave the area of retirement plans, there is something else that I feel that I must say about IRAs. Many of you may have an IRA, and the contribution to that IRA may not be fully deductible. If that is the case, then you need to file form #8606 with your federal tax return every year. You say you have never heard of this form? Well, maybe it's time to question your advisors on this. What else aren't they telling you?

This form is required for anyone who funds an IRA that is not totally deductible. I personally cannot understand why anyone would want to put money into an IRA that is not deductible, but that is a subject for another article! If you don't file form #8606, you are in violation of the law, and you face penalties and fines plus interest.

This works out to be a future windfall for the IRS. You reach retirement age and start taking money out of your IRA, and the IRS asks if the IRA was fully deductible. If it wasn't, then they ask for your copies of form #8606. If you don't have them, then the penalties hit. Next, they'll ask, did you keep track of what dollars were deductible and which dollars weren't? If you didn't, they will just "assume" that everything was deductible so they can tax all of the dollars that come out of your IRA. Wow! A big payday for the IRS.

Now, let's talk about 2000. This is the year to get serious about taking control of your finances. Why not start with a budget? Remember those? They were popular in the 1950s. Well, it would be

helpful if you knew where all your money was going. Once you see, you can then decide if it's time to change things or allocate your dollars into other areas. Next, it would be a good idea to call your insurance agents and ask for a complete listing of all of the policies you own and what they cover. I would suggest that you request all of this in writing.

While you have them on the phone, you might ask them to include any suggestions they may have to improve your program. Once you receive it, look it over carefully and if the suggestions are for major changes, I would suggest calling them and asking why it took a call from you to get them to suggest the changes. If they are going to be your agent, they should assume the full job and do these things without you having to ask. If they aren't, then maybe it's time to look for help elsewhere.

Since you are starting off a new year and a "new you" in control of your finances, it is time to evaluate all of your "employees." By employees I am referring to the ones you have on your payroll that you don't realize are on your payroll. Who, you ask? Your insurance agents; your stockbroker; your banker; your bank; your accountant; and anyone else who you are paying either through fees or commissions. They are on your payroll, and it's time you sat down and decided if you are really getting your money's worth. You also need to tell them what you expect of them. If you are not happy with their services, tell them. What a revolutionary idea! What a great way to start off the year.

This little exercise may take some time, but believe me when I say it's well worth it. If you have to "fire" some of your "employees," so be it. This is a big step toward taking control of your finances and your financial future. I would also suggest that you take some time to investigate any areas of your finances that you feel you need additional information on. Now is the time to do it. You might also want to set some realistic goals you want to achieve.

You do have one other employee that most people never consider as an employee, but in fact this employee is supposed to be working for you. Since we don't consider them an employee, we never ask them for anything. In fact, this employee would actually work 24 hours a day, seven days a week, but we never ask them for any strain on their part at all. We expect very little, and that is exactly what we get: very little. Want to know who that employee is? It's your hard-earned money. You let it sit in checking or savings accounts barely earning enough interest to keep up with the inflation rate, but if asked, it would work full-time and earn much more for you. Isn't it time you gave that "employee" a good job description and put it to work on a full-time basis? Think about that one and act on it.

2000 is a pivotal year for you. It is the beginning of a new century, and it should begin with you taking full control of your financial future. Make 2000 an exciting time for you. As always, if you need any help, I am just a phone call, fax or e-mail away. Y2K, here we come ready or not. I hope you are ready.

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