Financial *notes*

INSIGHTS TO ORCHESTRATE FINANCIAL INDEPENDENCE

FROM THE OFFICE OF DR. SCOTT STRATTON, CERTIFIED FINANCIAL PLANNER (TM)

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In This Issue

Dear Scott,

Welcome to the November edition of my monthly financial newsletter. As we approach the end of the year, it's a good time to get everything financial in order: make your charitable contributions, take any losses in taxable accounts to offset your gains, and save up for your property tax bill. It's also an important time to meet with your financial advisor and make sure you are on track with your investment goals! Call me at 214-276-0808 to schedule your year-end review.

Lower your monthly bills

The last in a four-part series to help you save more

In order to maximize your savings, you need to keep a watchful eye on your bills. We've covered the two biggest expenses: your home and auto, and last month we looked at ways to save money on your insurance needs. I recommend clients create a monthly budget. If you can balance the books monthly - with no negative months - then you can save consistently. I encourage everyone to set up automatic monthly deposits into a 401(k), IRA or investment account, so you are "paying yourself first." Once you have your budget in place, look for ways to reduce your expenses. I think the dream of every company is to have you on monthly auto-draft. Compared to 25 years ago, today we have more monthly obligations: cell phone, internet service, gym membership, etc. Retailers love to know their revenue is in place regardless of whether you use their service or not. Most people never compare rates once they have set up their service. Here are ideas to save money:

1) Compare electric providers. We had deregulation in Texas, so shop around! Visit the Public Utility Commission website: www.powertochoose.org

2) Roll your credit card balances. Many people don't know what rate they are paying on their cards! Switch to a lower rate card or

The best compliment you can g me is the referral of a friend or fa member!

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THIS MONTH, SCOTT IS...

In November, I'll be speakir on "The Relationship betwe Love and Money" as the keynote speaker at the mont Smart Singles Dallas event. will be on Saturday, Novem 10 from 10:00 am to 11:30 a at the Studio Movie Grill in Addison. Tickets are $20 at door or $15 online at www.smartsinglesdallas.c

call your current company and negotiate a lower rate.
3) Look online to compare prices. www.myrateplan.com for phone & TV; www.froogle.com for other products (Google's price search engine).
4) Consider a pre-paid phone. If you use your phone little, a pre-paid may be a better deal, especially once taxes are added to the regular cell phone bill. Many people are dropping their home phone altogether in favor of their cell.
5) Avoid new expenses. A $42/month service costs you $500 a year. Avoid new obligations whenever possible!

Kiddie Tax Changes for 2008

For 2007, assets held by children under age 18 are taxed at their parent's tax rate. This is expanded in 2008 to include children under 19, as well as full-time students age 19 to 23. For children currently 18 to 22, who have significant appreciated assets, this could mean a much higher tax bill in 2008 than if they sell in 2007. They are exempt from the "Kiddie Tax" if they have earned income greater than ½ of their support for '08. If they do not meet this exemption, they should consider selling before January. If they are exempt, they should wait until 2008 when the capital gains rate for taxpayers in the lowest bracket will be 0%.

529 Plan Benefits

Started in 1996, 529 College Savings Plans have amassed $105 billion in assets today. Thanks to the tax benefits being made permanent in 2006, assets in 529 plans are expected to double by 2010. 529 plans are popular for the same reason as Roth IRAs: money invested in the plan grows tax-free when used for qualified expenses. There are a number of reasons why a 529 plan is a good idea:

- With college tuition going up by 5-6% a year, 4 years of private college could cost $400,000 18 years from now.
- You can change beneficiaries at any time to other family members, even to another generation. There is no age limit, time restriction to use the assets, or income limit.
- You can make an accelerated transfer to a 529 plan without triggering a gift tax liability. For example, a grandparent could set aside 5 years worth of contributions ($60,000) today. Together, Grandma and Grandpa can give $120,000 per beneficiary.
- The money invested in a 529 plan reduces your estate tax liability even though you retain ownership and control of the assets. Unlike

trusts, 529 plans do not require attorneys and are revocable, albeit with penalties.

- Planning to save for college outside of a 529 plan? In 2011, dividends will be taxed as ordinary income, not at 5-15%, and the top tax bracket rises back to 39.6%. Capital gains will be taxed at 20%. 529 plans will remain tax-free.
- The expected contribution towards college costs from a student's money is 20%; from a parent's 529 = 5.64%; from a grandparent's 529 = 0%. A 529 doesn't hurt a child's chances for financial aid compared to giving them the money or creating an UTMA.

Withdrawals from a 529 Plan that are not used for qualified educational expenses are subject to a 10% penalty and the gains will be taxed as ordinary income.
www.savingforcollege.com

Beware of little expenses.
A small leak will sink a great ship.

BENJAMIN FRANKLIN

As always, please feel free to call me anytime with any questions or concerns. I'm here to help! Thank you for your business.

Sincerely,

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