

Financial *notes*

INSIGHTS TO ORCHESTRATE FINANCIAL INDEPENDENCE

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

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Dear Scott,

Now that the election is behind us, it's time to move forward as a country to fix our financial system and restore investor confidence. While we cannot expect these problems to be resolved overnight, we know that this too shall pass, and we will return to a healthy economy at some point in the not-too-distant future.

Although you can't control the overall economy, you are still responsible for the financial decisions you make on a daily basis. In this month's newsletter we focus on two fundamentals of building wealth: tax-deferred saving and reducing credit card debt.

Tax Deferred Saving

Retirement account limits rise for 2009

Chances are that your 401(k) or IRA has taken a beating in 2008. It's human nature that when you put your hand on a hot stove, you learn to not do that again! Right now, many investors are feeling like they've been "burned" by the funds in their retirement accounts. Some people feel like they should stop contributing to their accounts because it seems like they're just throwing money down into a bottomless pit, never to be seen again.



For investors with more than 5 years to retirement, we believe that your best course of action is to continue to save as much as you can in your tax-deferred retirement accounts. You need to make sure that your accounts are invested appropriately in a diversified strategy, but the fact is that right now is a great time to accumulate stocks and bonds at prices that may be 30-50% lower than last year. I like to think of it as the market giving us a half-off sale.

Contribution limits to certain retirement accounts have been

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The best compliment you can give me is the referral of a friend or family member!

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THIS MONTH, SCOTT IS...

I'm looking forward to my wife's concerts with Dallas Symphony this weekend. Erin will be a soloist in the Mozart *Sinfonia Concertante*, with performances on November 6-9. For information on these concerts, you can visit the

increased for 2009. If you are able to increase your investment, now is a good time to do so. If you haven't made your 2008 contribution, please call me at 214-276-0808 and let's talk about when and how to put that money to work.

[Dallas Symphony website.](#)

[About Erin](#)



	<u>2008</u>	<u>2009</u>
401(k)	\$15,500	\$16,500
+ catch-up >50	\$5,000	\$5,500
IRA / Roth	\$5,000	\$5,000
+ catch-up >50	\$1,000	\$1,000
SEP	\$46,000	\$49,000
SIMPLE IRA	\$10,500	\$11,500

Limits are increasing on employer-sponsored plans, but Individual Retirement Accounts (both Roth and Traditional) remain unchanged at \$5,000 with a \$1,000 catch-up. If you're investing monthly, you can put \$416 a month into an IRA, or \$500 a month if you are age 50 or older.

Eligibility restrictions apply to retirement accounts; please call for details. Dollar Cost Averaging does not guarantee against a loss. Investments are not guaranteed and may lose value.

Warren Buffett: Time to Buy

There was an excellent op-ed piece by Warren Buffett titled "Buy American. I am." in the [October 16 NY Times](#). If you haven't seen it, I highly recommend you give it a read. Buffett has been buying American stocks pushed down by the recent panic, and suggests using this opportunity to invest in well-run companies.

Roll Your Credit Card Balances

The average U.S. household has over \$8,000 in credit card debt. With interest rates of up to 20%, you could be spending \$1,600 a year or more just to pay the interest on an \$8,000 balance.



I meet many people who do have credit card debt, often much higher than \$8,000. And while I don't think it's anything to be ashamed of, you do need to have a plan to pay off that debt. After I ask a client how much their credit card debt is, the next question is

always the same: "At what interest rate?" What continually surprises me is how many folks don't know the interest rate they're paying on their credit cards. Maybe they don't want to know?

If you've dug yourself into a hole with credit cards, the first step is to stop digging. It's much easier to pay down your credit cards if your payments are going towards principal rather than interest. I suggest transferring your balance to a card with a 0% interest rate. Yes, this rate will only be good for 6 or 12 months, and then you'll have to roll the balance to another card. I realize this may seem like a hassle, but the potential savings can easily run into the thousands each year. There's nothing illegal or inappropriate with transferring your balance every 11 months. I have many clients who have become experts in the balance transfer process, and it's a big step forward in eliminating their debts altogether.

Here is a link with a list of [0% Balance Transfer Cards](#). Make sure you do your homework on each offer and fully understand the details. I can't think of any reason why you would choose to pay 10-20% interest, when you could be paying 0%.

There is a place for credit cards if used properly, which means only charging what you can pay each month. Personally, I use a cash-back card and charge everything I can. You can even charge your residential property taxes in Dallas county without a fee.

Industry, perseverance, and frugality make fortune yield.

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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