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Financial literacy is not an end in itself, but a step-by-step process. It begins in childhood and continues throughout a person's life all the way to retirement. Instilling the financial literacy message in children is especially important, because they will carry it for the rest of their lives.

George Carl

Take control of your personal finances

Today

# Money Sense

## UNDERSTANDING & MANAGING YOUR PERSONAL FINANCES

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### Holiday Budgeting Advice

With the holidays right around the corner, feelings of goodwill, cheer, excitement and generosity abound. However, with gift giving may come increased stress levels. Gift lists can be miles long, causing spending to accumulate quickly. Temptation to purchase that perfect gift, regardless of the price, can be enticing resulting in credit card debt. Bills can pile up quicker than we realize. Nevertheless, with planning and thoughtful spending, staying within your allotted budget can result in a joyful and enjoyable holiday season. Below are some techniques that may help you through this holiday season without excessive bills or credit card debt.

#### Make a List and Check it Twice

Make a list of everyone you want to shop for before you go to the store or turn on the computer. Next to everyone's name, write down what you would like to purchase for them and how much you are able to spend on the item. Remember to total up all of your prospective expenditures, before you begin shopping to make sure you are staying within healthy spending parameters for

your financial goals and plans. If the total spending amount exceeds your budget then you must go back and alter your purchase choices. Make multiple copies of your final list in case it is accidentally misplaced or lost. Experts agree this helps to formulate a realistic idea of exactly how much you want and can afford to spend, so you do not go overboard.

#### Shop for Bargains

Once it is clear who you are shopping for and what you are purchasing for them, don't forget to comparison shop. Check multiple stores or online sources for an item to ensure you secure the best price. If you are buying from online stores, remember that you must add in the shipping cost to determine the final price of the purchase. If your desired present is over the amount of money you allocated, you may need to choose another present. If you are purchasing multiple items from the same online retailer, consider purchasing them at one time to take advantage of free or reduced shipping costs.

#### Curb Impulse Shopping & Spending

Go shopping with your list in hand. Make sure you only purchase for individuals on

your list. Your gift giving list is your strongest tool to avoid impulse buying. Buy only what is on your pre-made list. If you forgot someone, add them to your list. Remember if you are going to add gift recipients, it may be necessary to adjust how much you plan on spending on others so your spending goal remains unchanged.

#### Plan for Those Other Expenses

Keep in mind that you will not only be spending money on gifts. For example, you might need to include money in your budget for wrapping paper, bows, greeting cards, decorations, food, and travel expenses. Make sure to plan for these expenses and include them in your total holiday spending plan.

#### Review Your Current Holiday Receipts

It is wise to either total your expenses daily or add them up two weeks before the actual holiday. Seeing your total helps you to assess how much more you can afford to spend and if you are staying true to your budget. If you have overspent in areas, assess on how to stay within your allotted budget and implement adjustments.

(cont. on page 2)



### **FICO® Score Estimator**

You can roughly estimate your actual credit score with this free score estimator.

Answer ten easy questions and you'll get a free estimated range for your three FICO® scores. Visit <http://www.whatsmyscore.org/estimator>



### **4 Reasons You Should Care About Your Credit Score**

1. Whether you'll be approved for credit cards, car loans, and student loans
2. What interest rate you'll get on these loans
3. The cost of your car insurance
4. In some cases, whether you get that job or apartment you've been hoping for

\* Adapted from [www.whatsmyscore.org/facts](http://www.whatsmyscore.org/facts)

(Continued from Page 1)

Using credit cards to cover holiday expenses can have lasting effects on financial wellness. The average American couple spends approximately \$1,800 on holiday spending. Charging \$1,800 with 16% interest and paying the minimum payment will take 15 years to pay off with an accumulation of \$1,775 in interest.

### **Set Expectations**

It is important to let family members (especially children) know if gifts are going to be minimal. This will keep their expectations in check and reduce guilt when gifts are given. In addition, this is a good time to discuss economically effective gift giving plans such as grab

bags, homemade gifts, or maybe skipping gifts all together.

### **Start Shopping Now**

The sooner you can get to the stores the better. It helps to avoid crowds, reduce impulse buying and the pressure to get the shopping done. In addition, you will have plenty of time to wrap the gifts.

Keep these things in mind while shopping this season. These simple tips could save you from debt, holiday stress and actually help spread holiday cheer.

Beth-Ann Ferguson

Adapted from [www.aba.com/ABAEF/HolidayBudget.htm](http://www.aba.com/ABAEF/HolidayBudget.htm) and [www.creditcards.com/credit-card-news/9-tips-sticking-holiday-budget-1280.php](http://www.creditcards.com/credit-card-news/9-tips-sticking-holiday-budget-1280.php)

## **Planning For Periodic Expenses**

Some household expenses come every year—whether you're ready for them or not. For example, both holiday and tax debts are periodic costs, meaning they are not part of regular monthly expenditures. In that regard, they join the ranks of other expenses such as auto registrations and vacations. Often, we know when these bills will be due, but still fail to plan for them. Unfortunately, when these expenses arise, many people rely upon credit to extend their monthly incomes; using credit this way is one sign of pending financial trouble. To avoid this scenario, follow these tips when planning for periodic expenses:

### **Determine What You Spent Last Year For Periodic Expenses**

Assume that you will spend close to the same amount this year. Take the time to sit down and document the dates and amounts when these expenses are due.

Look through your checkbook or bank statements to make sure your list is accurate.

### **Don't Hide Expenses**

Just because you don't list an expense doesn't mean you won't have to spend money on it. Don't forget things like back-to-school expenses, auto repairs, routine maintenance, and birthday gifts. Remember that some items, like auto insurance premiums, may occur more than once a year.

### **Expect The Unexpected**

Cushioning your savings account for those unplanned expenses can make the difference between a minor financial setback and a major financial disaster.

When you have a realistic idea of what you will need to spend on periodic expenses during the year, divide the total amount by 12 and save that amount each month. Designating a savings account for this purpose may help to organize this process

and safeguard money from impulse or unplanned spending. Check with your financial institution, you may be able to have the amount automatically transferred to save you the hassle.

Accelerate your savings schedule by including all of your "windfall" money in your savings plan. This "free money" includes increased income from a pay increase, birthday gifts, insurance settlements, escrow overages, and inheritances. Since this is extra money that you don't normally rely on, you won't miss it if you deposit it directly into your savings account.

Finally, don't forget to revisit your overall spending plan several times throughout the year to make sure you are on track. Common sense and flexibility are important keys to financial success.

\*Adapted from <http://www.moneymanagement.org/Budgeting-Tools/Credit-Articles/Savings/Personal-Budgeting-Plan-for-Periodic-Expenses.aspx>

## Financial Resolutions for the New Year

Many people make a list of resolutions at the beginning of each new year. As you make your list, consider including wise financial goals suggested by the New Jersey Society of Certified Public Accountants (NJSCPA).

### Save More

It sounds simple, but people often forget or make excuses that prevent them from setting aside money for their financial goals. That's why it's a good idea to automate the process. If the funds are automatically deposited into a separate account the temptation to dip into your savings will be reduced. One way to do that is have your bank deposit a certain amount of your payroll check or checking account balance into a savings account each month.

### Watch Your Spending

This is another area where people have great intentions that may not be carried out. One way to motivate yourself to take this goal more seriously is to keep a list of everything you spend each month. Categorize the items in areas such as groceries, commuting and gasoline or whatever categories make sense to you. You may be surprised at how much you are spending in certain areas. When you set down your expenses on paper, you become aware of your spending habits and may find yourself much more motivated to change your habits.

### Maintain a Budget

Once you write down your expenses, develop your Personal Spending and Savings monthly plan. This

plan is an excellent tool for making sense of your financial life and identifying where change is needed. Add up what you receive in your paychecks each month along with any other income, then deduct your regular expenses. You can use what's left for discretionary purchases. It's smart to know how much you have to spend before you use your credit card.

### Consult Your CPA

As you review your financial situation and chart your future plans, remember that your local CPA can help. Go to [www.findacpa.org](http://www.findacpa.org), and in a few clicks you can locate a highly qualified professional to assist.

*\* Adapted from <http://www.moneymattersnj.com/story.cfm?sid=14488>*

## Don't Get Scammed When Making Travel Plans

Many people take a vacation or visit family at this time of year. The bad news is that there are numerous scams that unsuspecting travelers can fall victim to if they are not careful. The New Jersey Society of Certified Public Accountants (NJSCPA) offers these tips on how to avoid them:

### Be Cautious

When making any purchase, be suspicious of offers that sound too good, and that's certainly the case when making travel plans. Many con artists promise great vacations or airline deals for very low prices. You should be especially wary of great deals advertised in unsolicited emails or faxes. Before you book your trip, contact the sender and ask

some questions. Find out what exactly is included in the bargain price. If the person you speak to is unwilling to answer these questions or gives vague incomplete responses, then the offer maybe a scam.

### Scrutinize "Free" Offers

Be particularly suspicious of promises of "free" travel, because it's rare that a legitimate business will give away anything for nothing. You may be told that you must reveal your credit card number or other personal information in order to qualify for the deal. Don't do it, the person asking for this information might be an identity thief who will use the information to make unauthorized charges to your credit card or bank account.

### Get It in Writing

Ask the travel agent for a document that describes every detail of your vacation, then review the paperwork. Check to see that it covers the company's cancellation and refund policies, so you understand what your options are if your travel plans must be changed.

### Pay with a Credit Card

If you are confident that you are dealing with a legitimate business, pay with a credit card. If there is a problem, it is easier to challenge the charge with the credit card company if you feel you did not get what you paid for.

*\* Adapted from [www.moneymattersnj.com/story.cfm?sid=14413](http://www.moneymattersnj.com/story.cfm?sid=14413)*



### Credit Bureaus

There are three major credit bureaus, all who use the FICO model to calculate credit scores. Each bureau compiles their own credit reports, so it is important to check your report from each of them to ensure against inaccuracies and fraud.

### Equifax

[www.equifax.com](http://www.equifax.com)

### Experian

[www.experian.com](http://www.experian.com)

### TransUnion

[www.transunion.com/index.jsp](http://www.transunion.com/index.jsp)

By federal law, each credit bureau is required to provide you with one free copy of your credit report per year upon request.

*\*Adapted from [www.whatsmyscore.org/resources/bureaus.php](http://www.whatsmyscore.org/resources/bureaus.php)*



### Lunch Savings

One of the best ways to increase your savings is to spend less. Even a simple change such as bringing a bagged lunch to work a few times a week can make a difference. This calculator illustrates how a little lunch savings can go a long way.

*\*Adapted from [www.360financialliteracy.org/Tools/Calculators/Lunch-Savings/%28language%29/eng-US](http://www.360financialliteracy.org/Tools/Calculators/Lunch-Savings/%28language%29/eng-US)*

## Money Sense

UNDERSTANDING & MANAGING YOUR PERSONAL FINANCES

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United Way  
of Sussex County

## Regifting 101 : Charitable Donations

With more than half a million federally recognized charities soliciting contributions, chances are you'll be sought out as a donor this holiday season. If your heart and your wallet have different ideas about making monetary donations, it is time to summon your inner regifter. An unwanted gift could be a welcome donation to a charitable organization.

For help selecting a charitable organization, visit the [Better Business Bureaus' Wise Giving Alliance](#). You can also contact the government office responsible for registering charities in your state. A little research upfront will make sure that your donation is put to good use. It is a good idea to involve your children in the selection of and contribution to a charity because it teaches valuable lessons about giving to cultivate a strong community. If the process of selecting a charity seems daunting, remember the effort is well worth it. You, your children and your family will benefit from giving as well. You all will know that you made a difference in lives of others who are struggling or less fortunate.

Some charitable gifts are tax-deductible if made to a qualified organization. Be sure your organization meets IRS guidelines. There may be different tax breaks when you donate certain types of assets to charity.



\* Adapted from <http://regiftable.com/Regifting101/CharitableDonations.aspx>

## Year-End Tax Planning: Special Concerns for 2010

Year-end tax planning is as much about 2011 as it is about 2010. Often, there's a real opportunity for year-end tax savings when you can predict that you'll be paying taxes at a lower rate in one year than in the other. For example, under the right circumstances, deferring a year-end bonus or potentially accelerating deductions into the current year can pay off in a big way. Of course, to effectively plan, it helps to have a good idea of what next year's tax rates will be. Unfortunately, as 2010 draws to a close, 2011 brings some uncertainty in that regard.

Currently, there are six marginal federal income tax brackets: 10%, 15%, 25%, 28%, 33%, and 35%. These brackets--the result of 2001 tax legislation--expire at the end of 2010. As things stand now, in 2011 the 10% bracket disappears, and the remaining brackets return to their pre-2001 levels: 15%, 28%, 31%, 36%, and 39.6%. Though it would take action by Congress, the president has indicated that he would like to permanently extend the 2010 rates for individuals earning less than \$200,000 and married couples earning less than \$250,000 but allow the two highest brackets to return to 36% and 39.6% for higher earners. Be sure to take the time to educate yourself on the new revisions to maximize your tax return.

\*Adapted from <http://www.360financialliteracy.org/Topics/Taxes/>



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