



MAKING THE MOST OF YOUR MONEY

FINANCIAL TIPS FOR TODAY'S CONSUMER

CONSUMER CREDIT COUNSELING SERVICE OF MONTANA & WYOMING

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Tax-free compensation

When you're due for a raise, ask your company to get creative in your compensation. There are numerous ways to receive non-taxable compensation. Let's look at some of the best alternatives to taxable earned income.

- Use your health coverage. Health and hospitalization insurance premiums paid by your current or former employer are tax-free -- a huge benefit. Let's say your health insurance premiums come to \$280 a month or \$3,360 a year (for an HMO policy for a family of four with a \$1,500 deductible). If you're in the 25% tax bracket and have to pick up the bill, the real cost to you would be \$4,480. That's \$3,360 for the premiums and \$1,120 for additional income taxes because you'll be paying for the coverage in after-tax dollars. Having your company pick up the cost helps both of you. It doesn't have to pay the salary necessary to get you even. It gets to write off the full cost of the coverage. Plus, neither of you has to pay the 7.65% payroll taxes on the premiums. And you, of course, boost your disposable income substantially.
- Cover your life. Group term life insurance coverage of \$50,000 or less paid for by your company isn't taxed to you. You pick the beneficiary; your company pays the premiums. Your company deducts the expense; you walk away with additional tax-free income.
- Send yourself to school. Get educated. The courses don't even have to be job-related. But they can't be for any education involving sports, games, or hobbies. Your company can pay, and deduct, as much as \$5,250 per year in educational assistance paid for either undergraduate or graduate courses. Again, that assistance comes to you tax-free.
- Get you there...and parked. Your company can give you discount fare cards, passes or tokens to take public transportation to work. As long as it's not worth more than \$100 per month, your company can deduct it, but you, as an employee, receive it tax-free as a de minimus tax benefit. You're taxed only on any excess over the \$100. If you drive and have to pay for parking, your company can provide free parking, up to a maximum value of \$180 per month, to you tax-free.
- Cafeteria plans. These are sometimes called Flexible Spending Accounts. Your company makes deductible contributions under a written plan, which allows you to select between taxable and non-taxable benefits. To the extent you chose non-taxable benefits, you have no additional income. Available non-taxable benefits may include group life insurance, disability benefits, dependent care and/or accident and health benefits. Your individual plan details the options. You make your choices among the items on the cafeteria menu.
- You get the idea. Any time you can convert taxable income into non-taxable income, you've given yourself a raise. And when both you and your company save money, it's a win-win for everybody. Get creative...in most cases you're paying for the items anyway, and on an after-tax basis. It's really relatively simple

Questions or comments?
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Tips to save on College

Before you do anything else, apply for financial aid. Even if you think your family earns too much to qualify, send in the forms. Then try these tips:

- Look for scholarships. Many colleges offer academic scholarships that aren't based on need. (See the Scholarship Search Wizard and "The insider's guide to scholarships.")
- Besides scholarships, apply for loans and grants.
- The Federal Work-Study Program provides jobs for students, encouraging them to perform community service and work related to their studies to help pay for education expenses. Many schools also have on-campus jobs that are not part of the program but offer tuition discounts and wages.
- Negotiate your aid package. At some colleges, as many as 75% of students who appeal their financial aid receive extra money.
- Programs such as AmeriCorps, Vista, the ROTC and the Peace Corps will help pay off student loans or provide funds during college in exchange for a service commitment upon graduation.
- Tax breaks on 529 plans and larger deductions also are available.

Pick up credits where you can

The more credits you can bring with you, the less money you'll pay to a four-year university.

- Take the first two years at a community college, which has lower costs and easy-to-transfer credits. Pick one that has an articulation agreement with a four-year university. It's quite common and specifies which community-college credits will be accepted toward a bachelor's degree at the four-year institution.
- If attending a four-year school, take summer classes at a community college near your home.
- Get college credit early. Many high schools offer college-level classes to prepare students for Advanced Placement exams. Some colleges also may let you take College Level Examination Program exams to receive college credit.

Paying for the basics: Eating and sleeping

The cheapest room and board is living with Mom and Dad. Commuting from home can save as much as \$6,000 a year. But if you go away to school, try these tips:

- If your college requires you to live on campus the first year, don't automatically accept the three-meal-a-day food plan if you're not going to use it. Consider a once- or twice-a-day plan.
- Furnish your dorm room in early American thrift shop rather than new décor.
- Be a resident assistant. Typically open to undergraduates after freshman year, this job involves some work and a commitment to be on call at certain times, but it usually comes with a break on room and board. Plus, you can learn leadership skills for the post-college world.
- Ask your family to buy you a home. It's not such a crazy idea. If other students rent rooms in the house, the income could offset monthly mortgage payments. Families should make certain, however, that the property they purchase meets all of the requirements of rental property.

Textbooks: Read 'em and weep

- College students can spend nearly \$1,000 a year on textbooks. But there are a growing number of options. Find out what books you need (title, author and ISBN, or international standard book number), then get busy -- and don't wait until the last minute.
- Find used books online through Craigslist.org, eBay's Half.com and Campus Book Swap. Textbook prices are highest online in August, September, January and February.
- Purchase electronic textbooks. If you do most of your work on a laptop computer and don't mind e-books, purchase them as downloads and cut the cost in half.
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- Share books with other students or use a library copy. This could make you more efficient with your time because you will have to do your work before the last minute.
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Kids Corner

Breadcrumb Bead Bracelet

What You Need: bread crumbs white glue • acrylic paint • pony beads
thin ribbon • toothpick • muffin tin

Breadcrumb Bead Bracelet

Craft Instructions:

Mix a tablespoon of white glue and a tablespoon of bread crumbs with enough craft paint to achieve the shade of color that you like. A Popsicle stick or craft stick is useful for mixing. You may need to add more glue or bread crumbs. Mix the dough until you can pick it up and roll it into small even-sized balls.

Stick a tooth pick through the middle of each round bead, then lay the beads across the top of muffin tin sections - this is to prevent the bead from becoming flat on one side as it dries.

If you have a gas oven, place the muffin tin with beads in the oven and leave the beads to dry by the heat of the pilot light for a few days. If you have an electric oven just air dry the beads. Turn the toothpicks a few times while the beads are still drying. When all the beads are fully dry, take out the toothpicks and string the beads onto thin ribbon, with a pony bead between each breadcrumb bead. Tie a bow at the end and Enjoy!

These would be a nice gift for mom for Valentine's Day or Mothers Day!

