



# MAKING THE MOST OF YOUR MONEY

## FINANCIAL TIPS FOR TODAY'S CONSUMER

CONSUMER CREDIT COUNSELING SERVICE OF MONTANA & WYOMING

### MONEY IN YOUR 60S: 12 STEPS TO TAKE

#### 1. Zero in on a retirement date

To know if you can comfortably retire, you'll need to have a target retirement date, because how much money you'll need and how much you'll get (from Social Security and other options) depends on this. But you need to stay flexible, in case the day you'd like to quit working -- or phase into part-time work -- turns out to be too early. Working even a year or two extra can boost your nest egg and increase your retirement income enormously. But there's also no point in hanging around longer than you have to.

#### 2. Figure out where you're going to live

Will you stay put in a paid-off home, or will you still have a mortgage? Will you move to a cheaper area or downsize to a smaller place? Or will your move be lateral, to an equally expensive (if lower-maintenance) condo or retiree village? Where you spend your retirement will have a huge effect on how much income you'll need. If your retirement plan doesn't pencil out one way, you may need to consider other alternatives. Although more than 80% of retirees "age in place" -- living in the same house in which they retired -- moving to a cheaper area or downsizing to a smaller house can free up home equity for investments or income. This is your last chance to get retirement-ready. Here's the game plan to make sure your numbers add up before you call it quits at work.

#### 3. Consider long-term-care insurance

There is no expert consensus on when you should buy this coverage, if you buy it at all. Do some serious research before you buy: Look for companies with sound financial ratings from TheStreet.com, Fitch, A.M. Best or Standard & Poor's and review the insurers' complaint records with your state insurance regulator.

#### 4. Don't forget to include medical costs

Paying for health insurance before age 65, when you qualify for Medicare coverage, can be extremely costly. But even once you qualify for Medicare, your expenses aren't over. Those age 65 and older spent an average of \$4,888 per capita for deductibles, co-payments, premiums and other health care expenses not covered by insurance, according to the 2004 National Health Expenditure Survey, the latest year available. That's more than twice as much as the typical nonelderly adult, the survey found.

#### 5. Deal with your debt

Ideally, you'll enter retirement with no debt, but you definitely want to blitz any credit card balances or other consumer loans before you get there. If you're having trouble paying off this debt, contact a legitimate credit counselor (one affiliated with the National Foundation for Credit Counseling) or a bankruptcy attorney to discuss your options.

#### 6. Draw up a retirement budget

Now that you're almost at the finish line, you can replace the usual retirement rules of thumb. Not sure if your budget will work? You might take it on a trial run for a few months by living with it as if you really were retired (just keep showing up for work).

#### 7. Review your Social Security and pension options

You can draw on Social Security as early as age 62, but the longer you wait to start taking payments, the bigger your benefit checks will be. You can check your annual Social Security benefit statements (which you should receive about three months before your birthday) for the amount of your expected checks starting at various ages.

#### 8. Check your withdrawal rate

The consensus among financial planners has been that you shouldn't withdraw more than 3% to 4% of your retirement savings the first year, though that has its critics. The earlier you retire and the longer you expect to live (MSN Money's Life Expectancy Calculator can offer an estimate), the more conservative you'll want to be about tapping your savings.

#### 9. Consider an immediate annuity

For clients who don't have traditional pensions and who can swing the cost, financial planner Sheryl Garrett, the author of "Just Give Me the Answers," recommends taking a portion of their nest eggs and buying an immediate annuity. This is an insurance product that promises you a lifetime stream of income in exchange for a lump-sum investment.

#### 10. Stress-test your plan

You now should have enough facts and figures to see if your plan will work.

#### 11. Meet with a fee-only financial planner

The decisions you're about to make are too important to your future not to get a second opinion. Look for an objective planner who's experienced with retirement-income calculations.

#### 12. Review your estate plans

Your chances of being incapacitated -- too ill or injured to make your own decisions -- rise as you age. Make sure you have updated durable powers of attorney for finances and for health care (the latter document is known as a health care directive in some states), so that someone you trust can take over for you.

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CCCS Main:  
2022 Central Ave.  
Great Falls, MT

Office Hours:  
8:00 a.m. - 5:30 p.m.  
Monday-Friday

Call Toll Free:  
(877) ASK-CCCS

[www.cccsmt.org](http://www.cccsmt.org)

CCCS Branch  
Locations &  
Phone Numbers:

Billings  
1620 Alderson Ave.  
Suite #27  
Billings, MT 59102  
(406) 656-4370

Bozeman  
8645 Huffine, Ste.3  
Bozeman, MT 59718  
(406) 582-9273

Butte  
800 East Front St.  
Butte, MT 59701  
(406) 723-5176

Helena  
910 East Lyndale  
Helena, MT 59604  
(406) 443-1774

Kalispell  
690 N. Meridian  
Suite 206  
Kalispell, MT 59901  
(406) 257-4069

Missoula  
1515 Fairview Avenue  
Suite 220  
Missoula, MT 59801  
(406) 543-1188

Questions or comments?  
Contact Lauri Abeyta at  
[labeyta@cccsmt.org](mailto:labeyta@cccsmt.org)

## How to get a \$ 2,500 tuition rebate

Millions of students and parents struggling to raise cash for college this fall could have a happy surprise early next year: a tax credit of up to \$2,500.

The new higher-education tax credit, which was part of the stimulus bill signed into law in February, is expected to put hundreds, if not thousands, of dollars into the pockets of millions of Americans who write tuition checks this year. Better yet, students don't have to fill out any extra financial-aid applications to get the new money. They just file their tax returns.

### How much can I get?

You can get a reduction in your 2009 tax bill of up to \$2,500. Even if you don't owe a penny in taxes, you can still get up to \$1,000.

### When can I get the money?

The credit covers only tuition, fee and book expenses paid in 2009 and 2010. So the soonest you can get the money is in early 2010, after you file your 2009 tax return. Congress might at some point decide to extend the credit beyond 2010.

### Does every student qualify for the money?

No. The credit is available only for undergraduates who attend college at least half time. And only tax filers with adjusted gross incomes of less than \$80,000 a year (if single) or \$160,000 (filing jointly) qualify for the full credit. It is phased out for people who earn more. Anyone who earns more than \$90,000 (or \$180,000 for joint filers) won't qualify at all.

In addition, the credit covers only tuition, fees and books. So if you get a scholarship or grant that covers those costs, you can't get the credit, even if you have to spend a lot of money on, say, room and board. Also, students with felony drug convictions are disqualified.

How do I get the maximum?

You can claim 100% of your first \$2,000 spent in 2009 on tuition, fees or course materials. You can claim 25% of the next \$2,000 spent on the same things. So if you have \$4,000 in course-related expenses, you can take \$2,500 off whatever you owe the Internal Revenue Service. If you earn so little that you don't owe the IRS that much, then the government will send you a check for 40% of whatever extra credit you qualify for, up to a maximum of \$1,000.

### What if I borrow to pay for tuition or books this year?

No problem. You can still collect the credit.

### If I am paying for two children in college this year, may I collect two credits?

Yes. The credit is for each student.

What if I earn too much or am otherwise ineligible? Are there any other education breaks I can get? Yes, although they are generally less valuable than the credit. The lifetime learning credit of up to \$2,000 is available to a wider audience, including those who've already graduated, part-timers and those in job-related courses. Students can claim a deduction on their tax forms for tuition and fees and student loan interest.

### Are there any catches?

Of course! This is the tax code, after all. To get the credit, you'll have to fill out next year's IRS Form 8863 (not yet available). And you should keep records of your tuition and book expenditures just in case.

## Kids Corner Star Spangled Wavers

### CRAFT MATERIALS:

- Scissors
- Pieces of red, white, and blue felt
- Red, white, and blue ribbons (available at local craft stores)
- Tacky glue
- 3/8-inch dowel

Time needed: 30 Minutes or Less

1. Cut a pair of 6-inch stars from red, white, or blue felt.
2. Cut a slightly smaller pair (ours were 4 inches across) from a different color of felt, and an even smaller pair (ours were 3 inches across) from the third color.
3. Use tacky glue to affix the stars to each other. Glue together the 2 sets of stars, sandwiching a 3/8-inch dowel between them.
4. Allow the glue to dry, then finish the baton by tying a length of red, white, and blue ribbon around the dowel.

