



MAKING THE MOST OF YOUR MONEY

FINANCIAL TIPS FOR TODAY'S CONSUMER

CONSUMER CREDIT COUNSELING SERVICE OF MONTANA & WYOMING

CONSIDERING RETIREMENT?

Retirees should start getting ready now for major changes next year that will affect their income and health expenses. The precise impact of these changes will vary by individual, so consumers should take stock of their financial situations and plan accordingly. Many economists say inflation will be a serious concern in a few years, after the economy recovers, so factor this into plans as well.

Here are five things to look out for:

- 1. No cost-of-living boosts for Social Security.** Forecasters widely predict that a slowly recovering economy will produce little or no inflation in the near term. That's generally good news, but not for Social Security recipients, whose annual increases are tied to consumer price changes in urban areas. Health care, a major retiree expense, is not expected to see the same price moderation as will other sectors of the economy. So it's quite possible that Social Security beneficiaries will see flat payments but still face higher prices.
- 2. Higher Medicare Advantage costs.** If you're one of more than 10 million subscribers to Medicare Advantage plans, expect to pay more for coverage next year. The U.S. Centers for Medicare and Medicaid Services cut 2010 subsidies to private Medicare Advantage plans by 4% to 4.5%. Big private insurers offering the plans will be figuring out how to adjust to the reductions, but you can expect to see a combination of higher rates and drug costs along with reduced coverage. The plans were created by the Bush administration as a private-sector alternative to traditional Medicare plans. But Medicare Advantage costs the government about 14% more per person than regular Medicare and thus became a target for expense cuts that could be used to help pay for the Obama administration's health-reform plan.
- 3. New Roth IRA rules.** Traditional individual retirement accounts are funded with pretax dollars and defer taxes until the funds are withdrawn. Roth IRAs, in contrast, are funded with after-tax dollars, but investment gains are not taxed. Once you're 59 1/2, funds can be withdrawn whenever you wish, and the accounts may pass on in your estate so that your heirs enjoy the tax exemption as well. Moderate household income ceilings have prevented lots of people from creating Roths or converting traditional IRAs into Roths. Next year, however, the income ceiling for Roth conversions will be dropped, allowing anyone to convert as much of their qualifying retirement accounts into Roth IRAs as they wish. Of course, they will have to pay income taxes on their fund balances when they convert. But steep investment reversals in many retirement accounts may make that tax hit easier to take. And, should a market rebound in investment values occur, the gains would never be taxed if funds were switched into a Roth account.
- 4. Mandatory retirement-plan withdrawals suspended.** Last year's stock market collapse collided with rules requiring retirement-plan withdrawals at age 70 1/2. Forcing retirees to cash in money-losing securities seemed especially unfair. Investment experts were widely advising people not to sell their securities at steep losses or risk losing out on any future market recovery. Congress agreed, but it was too late to waive the withdrawal rule for 2008. However, it will be in effect this year, so investors will have the choice about taking withdrawals from their plans. Investors should contact their retirement-plan administrator for the steps to take if they decide to reduce withdrawals this year. The withdrawal decision can affect tax returns due in 2010.
- 5. Estate tax changes.** Under current law, there will be no estate tax next year. But in 2011, it reverts to the 2001 level, with tax rates of up to 55% on all but the first \$1 million of an estate. No one thinks this approach will prevail. Democrats want this year's estate taxes to be made permanent. This would exempt the first \$3.5 million and levy tax rates of up to 45% on the rest. Estate taxes have long been an ideological battleground, and nothing less than rhetorical war should be expected as President Barack Obama's tax-reform task force develops recommendations that are due at the White House by early December.

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CCCS Main:
2022 Central Ave.
Great Falls, MT
59401

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

Call Toll Free:
(877) ASK-CCCS

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
2102 Yale St., Ste. C
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

TRIMING YOUR BUDGET?

In a worsening economy, almost everyone is trimming the household budget. But don't be so quick with the scissors. Certain cuts might save you \$25 or \$50 today but cost you thousands later.

Your car

Cuts that cost you: Skip your regular oil change and you save \$25 to \$30. But those savings could be temporary when aging oil damages your engine.

Worst-case scenario: You'll need a new engine, which could cost \$5,000. There is an added benefit of a regular oil change. While getting it changed, your mechanic will check all the fluid levels in your car, helping ensure your safety on the road. Skip getting your tires rotated and pressure checked and save an additional \$25. But beware the consequences if you ignore your tires.

Worst-case scenario: You could be in a wreck, creating huge mechanical and medical costs. Paying extra attention to your tires has other benefits as well. Rotating tires helps them last longer, delaying the day you have to spend hundreds of dollars on replacements. The right pressure also improves gas mileage.

Medications

Cuts that cost you: When you consider the cost of medications, you may be tempted to skip doses of medication for lowering blood pressure or cholesterol and double the life of that prescription. Unlike some illnesses or conditions, high blood pressure and high cholesterol don't normally produce daily symptoms. But you may shorten your own life. It's true that your potential savings is one-half the cost of the medication, but it could cost you down the line.

Worst case scenario: a life-changing or life-ending heart attack or stroke.

Cuts that count: That being said, you can save on prescription and over-the-counter medication by thinking about your medications before you go the pharmacy. Start at home. Your health insurance company likely releases a list of medications and how much your co-pay will be. Continue saving in your physician's office. Ask for samples, a voucher or a coupon. Ask about a generic version of your medication and check to see whether the prescription drug is available over the counter. Before you get the prescription filled, shop around. Even though you shouldn't halve the dosage of your medications, sometimes you can get a prescription at double the dose, but not double the price, and use a pill splitter to cut the pills in half. Keep in mind, however, that coated or time-release pills should not be cut.

KIDS CORNER

Lucky Blocks

What you'll need:

- 1) 5 wooden blocks
- 2) Light green and green acrylic paint
- 3) Paintbrush
- 4) Gold paint pen
- 5) White or clear glitter glue

How to make it:

1. Paint three of the blocks green and the other two blocks light green and let dry. (See photo.)
2. Use a gold paint pen to write the letters L, U, C, K, and Y, one on each block. (See photo.)
3. Squeeze some glitter glue on to the top of each block and spread out with a paintbrush. (See photo.)
4. Use the brush and excess glitter glue from the top to add glitter to the sides and front as well. Let dry completely.

