
Focus Finances

your personal financial newsletter

Winter, 2008

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*Unbiased financial advice
for informed decision making.*

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In this new year, the headlines have not been very encouraging with news of the economy, the housing market or the various sides that our Presidential candidates have taken.

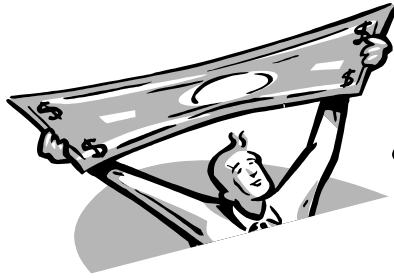
Although I understand your concern, there is always something positive in the midst of the storm. Since interest rates have dropped, it may be a good time to consider the following options to meet your goals:

- Home purchase
- Refinance your existing mortgage
- Home equity loan
- Home equity line of credit

Feel free to call if you have a concern you wish to discuss.

Sincerely,

Edna Thompsen



“STRETCH” IRA

The “stretch” IRA is a way to pass money to future generations. This also provides them an income for life.

When an IRA beneficiary inherits an IRA account, the beneficiary can keep the account growing tax deferred (or tax free if it is a ROTH account) for their life time. The account must be set up properly so the beneficiary can stretch the tax deferral. It is important that the appropriate beneficiary be listed on the IRA Beneficiary form.

This is also one of the advantages of rolling over the proceeds in a company plan such as a 401k, 403b etc. to a rollover IRA account. As of this writing company plans are not required to allow Non-spouse rollovers to IRA’s and it is therefore voluntary. Congress tried to make this mandatory, however; it was never passed as part of the Tax Technical Corrections Act of 2007.

When a child or grandchild is listed as the beneficiary on an IRA account they are only required to take small amounts of money which extends, or “stretches” the tax deferral.

To illustrate this concept, the following is a personal story. As many of you know my mother passed away in 2006. After my father passed away in 1993, she listed my 2 sisters and me as beneficiaries of her IRA. As the IRA beneficiaries, after her death we established an Inherited IRA account in each of our names.

Since my mother was required to take annual required minimum distributions, each of us must also take an annual distribution from the account; however, the required minimum distribution is based on our ages and not my mother’s age who was 79 when she passed away. We also each designated our own beneficiaries on the account. Hopefully we can pass the account to the next generation.

IT IS IMPORTANT THAT YOUR BENEFICIARY DESIGNATIONS ARE CURRENT. ALSO LIST CONTINGENT BENEFICIARIES IF POSSIBLE.

PRACTICAL WAYS TO INCREASE CASH FLOW

Since this is the beginning of a new year, I thought it would be interesting to share suggestions to save/manage money. The following ideas were shared during personal budgeting seminars that I held last year at various corporations:

- Save pocket change on a regular basis; it will add up over time. One couple at the end of each year divides the total of the saved pocket change among their children which the children use to buy Christmas presents. This teaches the children about money since they now have a budget and know that it was saved over the year.
- The cost of Starbucks always seems to be mentioned since it can be a daily habit and very costly over time.
 $\$ 3.00$ daily times 5 days = $\$15.00$ per week.
 $\$15.00$ weekly times 4 weeks = $\$60$ per month.
 $\$60.00$ monthly times 12 months = $\$720$ per year.
- Be aware of wasting resources, such as letting the water run when brushing your teeth, since you are paying for a resource that you are not using.
- Unplug appliances when not in use.
- Buy in bulk items that you use on a regular basis.
- Purchase store brand items. i.e. Wal-Mart, Target, Kroger, etc.
- Shop with a list and use coupons if available on the items you want. Coupons are great to also use on items you want to try.
- Choose food items such as milk, with the longest expiration date usually located at the back of the shelf. This will give you more time to use the item.
- Review your cable invoice periodically since you may be paying for channels you no longer use or are interested in
- Review your telephone services and costs, especially cell phones. Many reasonable service packages are available to meet individual and family needs.
- Eliminate annual fees which are increasing; i.e. bank service charges, ATM fees, account maintenance fees, etc.
- Several employees discussed meeting on a regular basis to share ideas on creating and tracking personal cash flow and to keep one another motivated.

I welcome any other suggestions that you may find helpful.

FINANCIAL TIDBITS

- If you have purchased another home for your residence last year, be sure to file for the Residential Homestead Exemption for 2008. You are eligible for the exemption if you occupied and owned the dwelling on January 1st as your principal residence. Homestead exemptions vary by county.
- The number of dollars saved by driving a car for 15 years or 225,000 miles versus buying an identical model every 5 years is \$31,000. (Consumer Reports)
- The Dow Jones Industrial Average (DJIA) seems to be identified with reference to “the market” however; it is made up of only 30 stocks. This represents the largest and most widely held public companies in the United States.
- In 2008, company plan funds can be converted to ROTH IRA’s without having to first be rolled over to a traditional IRA. Taxes must be paid on the conversion.
- The maximum IRA (Traditional or ROTH) contribution for 2008 is \$5,000 plus \$1,000 for “catch-up”. You are eligible to make the “Catch-up” contribution, if you are or will be age 50 this year.

Note: Articles written by local professionals have been obtained from resources which I feel are reliable. However, their accuracy or completeness is not guaranteed. They are included as a service to share information and are not paid advertisements.

Any information in this newsletter should not be acted upon without professional advice.

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