

# Focus *On* Finances

your personal financial newsletter

Summer, 2010

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“Thought is the wind, knowledge the sail,  
And mankind the vessel.”

~August Hare

With the recent dip in the market, this is a great reminder that we are our greatest asset and/or liability and this should be a consideration when managing financial risk.

It is human nature to want to react to events and make changes immediately; however, this is not always in our best interest. Think and research your decision before reacting.

Have a great summer,

Sincerely,

A handwritten signature in black ink, appearing to read 'Edna'.

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*Unbiased financial advice  
for informed decision making.*

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## SIMPLIFY YOUR FINANCES - BE ACCOUNTABLE - BE PREPARED

### FINANCIAL STABILITY

Recently, I was asked to serve on a panel to discuss financial issues for a women's group.

One of the questions asked by an attendee is "How do I start to plan for good financial stability for my future".

With the events of the past few years, you may also feel that you are starting over. For most people it shed new light on personal finances and changes were inevitable. Keep in mind that minor changes to your finances can have a major impact.

The simple answer to the above question is to be "accountable" by tracking and reviewing income and expenses. Although this is easier said than done, it is a powerful tool if you do it and use it. Consider the following:

1. Set financial goals. What is IMPORTANT and where are you going.
  - a. Pay yourself; i.e., emergency fund, future purchase, retirement, etc. Set up automatically if you are not disciplined.
  - b. Pay off "bad" debt.
  - c. Include activities that you enjoy and have a passion for. May include nonprofit organizations that you are interested in supporting (financially or as a volunteer).
2. Break the process down into simple steps.
  - a. List the categories to track
  - b. Start with your checkbook register and pay statements. How will you track cash (Keep receipts, track in notebook)?
  - c. Will you use a software program? (Quicken or track by hand)
  - d. How often will you track your finances? (weekly, monthly)
3. Review expenses.
  - a. Look for habits that may be hazardous to your wealth.
  - b. What do you need or want to change? (Determine needs and wants.)
  - c. Find a balance. Software programs will track budget amounts that you set.

Consider the following:

- Be honest with yourself.
  - Focus on the result/benefit not the process.
  - Seek help or another opinion since you are on the inside looking out.
  - Keep in mind that finances should be a tool.
  - $\text{Income} - \text{expenses} = \text{discretionary funds}$ . Use to meet goals if you have a surplus. If you have a deficit where can you cut expenses?
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## SHOPPING FOR A CD: Be Informed, Be safe

(From the FDIC Consumer news.)

With many investments in the stock market or real estate declining in value, certificate of deposit (CDs) remain some of the safest and most reliable places for your money. But as with most financial products and services, it pays to do some research and take other precautions before you buy.

CDs come in many varieties, so shop around. “Many institutions have added innovative programs that give depositors new flexibility with CDs,” said Sukari Smith, an FDIC Community Affairs Specialist. “Now you may be able to add money to the CD, switch to a higher interest rate or withdraw money early without penalty. You need to look carefully and decide what makes sense to you.

Deposit with confidence since Congress extended the FDIC insurance coverage of \$250,000 through 2013.

When shopping around ask these questions:

- a. What is the interest rate? Can the interest rate go up in the future?
- b. When does the CD mature? Are there options for early access without a penalty? If not, what is the penalty?
- c. Will the CD automatically renew at maturity if I don't withdraw the money?

You may be able to get a good deal on a bank CD sold by a brokerage firm, but it also may come with extra risks and costs.

Consider “laddering” your CD purchases over different time periods. Say you have \$10,000 to invest and you'd like to maximize your earnings but you're hesitant about investing long term. Instead of putting it all into a five-year CD just to get a high, long term interest rate, you could place \$2,000 in a CD that matures in a year, \$2,000 in a CD that matures in 2 years and so on, which means you'll have a CD maturing every year for 5 years. If you follow the strategy, you'll roll each maturing CD into a new 5 year CD. But if you need the money for other uses, you will not have to pay an early withdrawal penalty.

Be aware of an advertised CD rate far above the competition. First, it could be a product issued by a company that is not federally insured and any money invested is at risk. Second, it could be a marketing ploy. “An offer of a very high interest rate may be a lure to promote the sale of non-insured products” said Richard M Schwartz, an FDIC attorney who specializes in consumer issues. “Some non-bank companies are using the FDIC logo and good name to draw customers in the door for a bank CD, but sooner or later, they're going to try to lock them into a long-term investment that may not be in the customer's best interest.”

Schwartz offers this advice: “If you are purchasing a CD, verify that it is issued by a federally insured depository institution. Research the going interest rates from banks locally and around the country, and if you find an offer that sounds too good to be true, be aware that there will definitely be strings attached.”

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## FINANCIAL TIDBITS

- **Shoulder surfers:** Be suspicious of anyone lurking around an ATM or watching over your shoulder while you use your ATM/Debit card. Some thieves even use binoculars or cameras to steal your PIN.
- **Secret Warranties:** Sometimes a manufacturer makes a design or production mistake on a motor vehicle. A service bulletin notifies the dealer of the problem and how to resolve it. Because these free repairs are not publicized, they are called “secret warranties” The National Highway Traffic Safety Administration ([www.nhtsa.gov](http://www.nhtsa.gov)) maintains a database of service bulletins filed by manufacturers.
- **Identity Theft Insurance:** These policies may be worth more to the company selling it than they are to you. Before you buy one of these credit watch plans, read the fine print. You may be better off following prevention tips and in the event you become a victim of fraud, reporting it yourself. Be aware that many companies and law enforcement officers will only deal with you (as opposed to an insurance company representative).
- **Reporting Identity Theft:**
  - Report it to your financial institution. Call the phone number on your account statement or on the back of your credit or debit card.
  - Report the fraud to your local police. Keep a copy of the police report, which will make it easier to prove your case to creditors and retailers.
  - Contract the credit reporting bureaus. Ask them to flag your account with a fraud alert, which asks merchants not to grant new credit without your approval. You only need to contact one credit reporting bureau since they will contact the other 2.

Experian: 1-888-397-3742 Transunion: 1-800-680-7289 Equifax: 1-888-766-0008.

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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