

# Money Matters

Volume 1, Issue 6

Advising, educating and inspiring you to a better life

December 2003

## Holiday Shopping

The day after thanksgiving is hands down the busiest shopping day of the year. I try to avoid shopping when the crowds are the worst, I feel like cattle being herded for the slaughter. As you try to get your shopping done for the holidays try and keep things in perspective. Our society has grown into an "impress everyone society" gifts, parties and entertainment are a big way of doing just that. Be sure you live within your means and set a budget for how much you plan on spending for each person during the holidays. If you go to a store for a sale item, be careful not to fall prey to other things in the store which are likely not bargains. Many stores "lure" customers in with an item where they actually lose money and hope the customers will buy other high profit margin items to make the marketing worth while.



*Beginning on page 2, Invasion*

## Radio Prizes

We will be giving away weekly prizes to the person who knows the answer to the weekly radio show question. If we feel benevolent, we may just give each and every caller the prize package. As the holidays approach I always watch "It's a Wonderful Life" about 10 times so there is good chance for holiday cheer. It's my favorite movie and I indulge each and every holiday season. Be sure to tune in and educate yourself about finance while trying to win a prize for knowing the correct answer. Each week's quiz is something new and interesting just like the monthly quiz in this newsletter so good luck and hopefully you'll be live on the air in the next few weeks with answers or questions. We have a prize package which includes this newsletter, some bookmarks, a case to store your favorite CD's, mints, nail files, coasters and a post it note pad.



## Year End Tax Tips

There are only a few weeks of time left for you to do what you can to save a few dollars on income taxes for this year. I've illustrated some easy steps you can take to try and reduce your liability.

1) Retirement plan contributions. Be sure to make any necessary contributions to tax-deductible retirement plans. Many plans require deposits to be made by year

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# Guard Your Identity

In reconciling my checkbook last month I found that an unauthorized intruder was in my checkbook. I do most of my banking electronically so I don't need write too many checks. On the 15<sup>th</sup> of the month, Earthlink decided to invade my checking account and deduct \$21.95. This is very, very scary because I do no business with Earthlink, have never given them my banking information and certainly never invited them to share in the spoils of my checkbook. When I called them, they couldn't find me. What a surprise! After about 40 minutes on the phone trying to get a human being to speak with, they said that I do not exist. That's what I wanted but unfortunately, my checking account does exist and they seem to have found that without any trouble. To resolve the issue, they asked me to fax them a copy of my checking account statement. It has yet to be resolved but the issue here is to pay attention to detail and be sure to guard your identity. I suggest burning or shredding anything that has financial information, bank account numbers, social security numbers, etc. Hopefully this will not happen to you and if it does, the earlier you catch it the better.



## More Tax Planning Tips

1) Sell those losers. If you have securities that have taken a bath now may be the time for some year end tax loss harvesting. This will help offset some of the gains that we've had for the year. (It's so nice to have gains, isn't it?)

2) Give Birth. Today there are all types of credits, exemptions and deductions for little ones. Betsy & I often refer to Hannah & Sammy not as kids, but as Curtain Climbers, Tricycle Motors, and Rugrats. Whatever you call them, they are such a blessing. A blessing not only from up above but from Uncle Sam as well.

3) Don't get married. If wedding vows are on your mind consider holding off until January. If you get married on 12/31 you'll be considered married for the entire tax year. Married couples actually pay a marriage penalty and do not receive any "breaks" as most people believe.

4) Educate. If you have tuition payments in the future, consider paying them now and perhaps they'll allow you to take advantage of the lifetime learning credit or the Hope credit.

5) Tax Deferral. If you have substantial assets that you are not using in a taxable environment consider shifting it to a tax deferred environment where you can stop paying tax on the interest and dividends you earn each year. This will not only help this year but each and every year to follow.

6) Pay the mortgage or the Home Equity Loan (Line.) If you pay January's payment now and it's processed by the end of the year the interest will show up in the statement you receive from the mortgage company. As long as you can itemize and your home is not worth \$10,000,000, you'll end up with more tax deductions.

7) Medical Expenses. Beginning this year all medical insurance premiums are deductible regardless of business type. Your other medical plans have some benefits within them if you happen to have a Medical Savings Account or Flexible Spending Account.

8) Business changes. The new laws allowing for larger purchases and higher Section 179 limits now provide for incentive to invest in our small businesses. What could have taken 5 or 10 years to fully deduct before can now be fully deducted this year. Today you can even buy a truck or SUV through your business, for your business and receive a deduction. This was intended for people to buy business vehicles but with the new breed of SUV's on the market they fit the bill with a towing capacity of over 6000 pounds.



## NOTEWORTHY NEWS !!!



Congratulations to Marty Morris, the winner of last months quiz. He and Nicole enjoyed dinner at Diorio's in Waterbury. The correct answer from last month was Wrigley's Gum.

Congratulations to Jason & Amber Pinette on the birth of their daughter, Alexia Jade on November 12<sup>th</sup>.

If anything special occurs in your life, good or bad, be sure to notify the office for advice and you'll be included in the noteworthy news section of the newsletter.



## CALENDAR OF EVENTS

There are no events scheduled for the holiday season. We are currently investigating the possibility of doing some educational workshops on the following topics:

**College planning for those with young children.** How to accumulate the funds necessary with the most tax advantages. Also how to qualify for maximum financial aid and "stack the deck" in your favor for grants, scholarships and financial aid.

**403(b)'s, 457's & Tax Sheltered annuities.** What are they, how much do they cost and should or shouldn't I use mine. These workshops will be for specific audiences such as hospitals, municipalities, schools and colleges.

**Finance 101 for Doctors.** I've seen many doctors, dentists, surgeons, etc. lately and with all the education you receive on the human body, they forgot to teach you about finances and business. We're putting together a workshop tailored to your specific needs.

**Which Pension is for me?** If you are lucky enough to have a pension plan and have an array of options you'll need to sift through, now is the time to get ready. Hopefully you are looking ahead decades on this decision but we'll show you what to think about before selecting an irrevocable pension payout option.

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end. Salary reduction contributions such as 401(k), 403(b), 457, SIMPLE, SARSEP. The plans today now have "catch up" provisions for those over 50. If you need to know specifics on how much you can legally put into the plan and how much you should based on your situation, call the office. Remember, it is not wise to have most of your money in retirement plans because you cannot control the plan. It does make sense to have some money there providing you've got an exit strategy and other assets in places that are taxed differently.

2) Charitable contributions. Most of us give to our church, synagogue or charity of choice. There are only a few weeks left to gain a tax advantage for supporting your favorite charity. If you have an appreciated asset that you don't want to sell because of a tax gain there are strategies you can use to make a gift to charity, avoid income taxes and provide tax advantaged income for yourself. If you'd like more information on specific strategies call the office. If you've got "stuff" around the house now is the time to give it to your favorite charity. That "stuff" has a value and if donated to a qualifying non-profit organization will help those in need and provide you with some tax relief. We do some shopping at our church tag sale every year and always find some bargains. This year I picked up a fireplace grill for \$10.00. They usually sell for about \$150.00 at the store.

3) Pay your taxes. If you are self employed make your estimated tax payment to the state in December instead of January. If you have any property taxes yet unpaid, be sure to pay them and get the deduction available if you itemize. It's deductible if you pay it this year.

4) Special Tax Break For Educators. If you've spent up to \$250.00 for classroom supplies, teaching aids, etc. they are now deductible and you don't have to itemize to take advantage of this. Be sure to keep records and share them with your tax preparer.





## **MONEY QUIZ**

- 1) Who was the first person to earn \$100,000,000.00 in one calendar year?

Email, fax, call or mail your answers to the office. The first correct answer will win a free dinner or a free massage, your choice.

Last months winner was Marty Morris. He & Nicole enjoyed a nice Dinner at Diorio's in Waterbury. The correct answer was Wrigley's Gum.



## **The Estate Directory**

I recently created a document that I call the Estate Directory. This is a document that lists everything you own; important numbers, dates, people, places; account numbers, phone numbers, values; insurance polices, wills, trusts; all in one place and on one document. This will be given to each of you as I see you for reviews. Along with the organization it provides, it will come with a laminated wallet card so should something terrible happen to you, people will know who to call and where everything is. We've lost people and I spent a long time searching with family in people's homes for important documents, keys to safety deposit boxes, combinations for safes, checkbooks, etc. This is a document that everyone needs and virtually nobody has. If you would like yours now, call the office and we'll get it to you.

## **Marketing In Our Society!**

The corporations of the world have done such a great job at marketing to us that we are all a victim of it and we do not even realize it. The number one "Brand" in the world is Coca Cola. Everyone knows what Coca Cola is. Most people consume it. It's not healthy, in fact it can remove the rust from metal, but we imbibe in record quantities. We do this because we've been marketed and now we are programmed. Many people smoke and don't want to. They started because people thought the Marlborough man was cool and now they cannot quit. ( He died of lung cancer as did my mom and my grandmother) The point is that as a society we are earning more than any generation before us because most homes have two incomes. Years ago only one person worked and the other stayed home to raise the children. Now the families have more income, less time and more material goods. Many more material goods acquired by the magic of a bargain. A bargain is something you don't need at a price you cannot afford. I see people with so many bargains they need a larger home to store all of their bargains. Today people are filing for bankruptcy with combined annual incomes of \$80,000, \$100,000, \$150,000, \$200,000. This is a huge problem. If you cannot live on any of those incomes, you are likely living beyond your means and giving in to the marketing madness in our society. People today do not need bigger homes, better cars, more expensive toys. I see people regularly spend \$50,000 on a car, \$500,000 on a home and \$5,000 for holiday shopping. This society needs more love, more caring of our neighbors, more time with our children. The consumption in America today is mind-boggling.

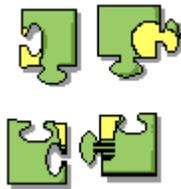
As the New Year approaches, try and spend some time as a family to decide what is truly important. Are you prepared for the future? Can you retire? Will the kids go to college? What if a breadwinner is disabled or dies? What is more important, the future of your family or your never-ending pursuit of status? Does it matter what the neighbors or the Joneses are doing or what they think? Life isn't a race, it's a journey and what's truly important is family and friends.

## Inspirational Quotes

- Life is not a matter of milestones, but of moments, Rose Kennedy
- Being considerate of others will take your children further in life than any college degree, Marian Wright Edelman
- There are two ways of spreading light -- to be the candle or the mirror that reflects it. Edith Wharton
- As long as you're going to be thinking anyway, THINK BIG. Donald Trump
- He who is devoid of the power to forgive is devoid of the power to love. Dr. Martin Luther King, Jr.

## Estate Planning Tips

As the end of the year closes in on us there is only a few weeks left for any gifting strategies. If you plan on giving loved ones an annual gift of \$11,000 or its equivalent in the form of company stock (public or private), land, title to property, etc. now is the time to do it. If you want to use the 529 for estate planning purposes and simultaneously help the kids or grandchildren with college, now is the time. You can now give \$110,000 to a 529, retain control and receive an estate tax credit if you do it before 12/31. Family limited partnerships continue to be under fire in US tax court.



If anyone you care about would benefit from receiving this newsletter, tell us who they are and they will be included on our mailing list. I'm sure they'll appreciate you thinking about them and having their best interests at heart.

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

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Be sure to think of us whenever you or someone you care for needs the following:

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- Retirement Plans
- College Funding
- Tax Savings Strategies
- College Financial Aid Strategies
- Required Minimum Distributions
- Debt & Cash Flow Management
- Painless Savings Strategies
- Life Insurance
- Estate Planning
- Distribution of Assets
- Retirement Income – Guaranteed or non
- Disability Income Insurance
- Widow/Widower Assistance
- Nursing Home Asset Protection Strategies
- Long Term Care Insurance & Issues
- Key employee retention
- Group Benefits – health, life, disability
- 401(k) & Retirement Plan Rollovers

**Mike Chadwick's Money Matters**  
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