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Financial Planning Strategies

A Financial Planning Update

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Strategies to Sell Your Home

When you sell a home on your own, there is more required than just putting up a curbside sign and waiting for buyers to come to your door with money in hand. However, doing a little "homework" and gathering all the facts can help you understand what is involved when you decide to sell your home.

Sellers, who are emotionally attached to their homes, often price them too high. To determine a more realistic price, compare your home with similar homes in your neighborhood or town. If houses are not selling quickly or if the price of your home is higher than those around you, you may have to set the price lower than you originally intended. You may choose to hire an **appraiser** to help you determine an appropriate selling price.

All too often, owners skimp on advertising. In addition to the "For Sale" sign in your front yard, post others where legally allowed. Compile a brochure or fact sheet listing the asking price, lot size, individual rooms and dimensions, heating and cooling systems (with monthly utility bills for the last year), appliances or other fixtures included, present financing, taxes, and any unusual or particularly attractive features. Don't forget to include a telephone number and show your property by appointment only. The Internet can also be a useful tool when selling your home. People who may be relocating to your area can view photos and a fact sheet, which could spark their interest.

It may be wise to screen potential buyers. If they seem interested, inquire about their potential down payment. If you are getting close to a deal, consider asking the buyer to supply a financial statement from a bank or mortgage lender. A serious buyer will be happy to provide the requested information. You may even ask buyers if they have obtained a "pre-approval" or "pre-qualification" letter from a bank or mortgage company, to ensure that the funds they are offering for your house would be available for them to borrow.

If you need assistance, a "hybrid" real estate company may prove a lower-priced alternative to traditional full commission brokers. These companies generally charge a flat fee—based on the asking price of the house—to screen prospective buyers, arrange appointments, suggest a price, and negotiate with buyers. However, showing the house would be the owner's job.

If you decide to sell your home on your own, remember the following tips:

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Strategies to Sell Your Home

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1. Price It Fairly. Compare your house to others in your neighborhood that have recently been sold, and factor in any improvements or unusual assets.

2. Advertise. Use more than just a "For Sale" sign on your lawn. Circulate brochures, run ads in the local newspapers, and post notices on bulletin boards and real estate websites.

3. Screen Buyers. Before accepting an offer, ask the buyer to provide a financial statement or obtain mortgage pre-approval or pre-qualification.

When should you decide to discontinue selling the home on your own? Assuming a house is properly priced and in a reasonably active market, a homeowner attempting to sell without professional assistance should allow for a predetermined time period without a written offer. If you find you want or need to move more quickly, consider using a hybrid real estate company or a professional broker.

Selling a home on your own can be a great deal of work, but you may save thousands of dollars that would otherwise be "lost" to real estate commissions. On the other hand, while the prospect of improving your financial position may be tantalizing, the task may be too time-consuming or otherwise beyond your expertise. Professional real estate assistance, whether from a service or a broker/agent, may "save" you more than you realize as you prepare to sell your home. The decision of whether you should sell your house by yourself or with professional assistance is complicated. However, doing a little research and arming yourself with some information can help you decide the best strategy for you and your situation. $

Potential Benefits of Lifetime Gifts

Many estate plans include a program of making **lifetime gifts**. So, is it sometimes better to distribute assets this way, rather than bequeath them in a **will** or **trust**? Lifetime gifts have the potential to offer important rewards and benefits. Here are some you may want to consider:

- **May reduce probate costs and taxes.** Lifetime gifts, especially of income-producing assets, can potentially reduce the size of your estate. A smaller estate may mean decreased probate costs and may also reduce or eliminate income and estate taxes.
- **Avoids uncertainty.** Lifetime gifts can be assets that will go to those you intend, for instance, your children or grandchildren, and not a former spouse or creditors. On the other hand, a will could be challenged or creditors' claims could take precedence over your wishes.
- **Protects privacy.** Lifetime gifts are private. Only you, the recipients, and possibly the tax authorities, need to know the details. By contrast, what goes through probate is a matter of public record.
- **Gives pleasure.** Making gifts during your lifetime allows you to experience the pleasure of seeing your loved ones enjoy them. It may also give your heirs the benefit of the assets when needed most.

A program of lifetime gifts may make good sense as part of your estate plan. The potential rewards and benefits may extend to you and your estate, as well as your heirs. Be sure to consult a qualified estate planning professional to find out more about lifetime gifts for your unique circumstances. $

"Top Off" Your Retirement Income

Somewhere along the road to retirement, you will need to be sure you've taken advantage of all possible sources to "fill up" your retirement income "tank." You don't want to exhaust your financial resources before the end of your journey. Yet, the truth of the matter is that many people don't save enough for retirement. However, the more you accumulate now, *before* retirement, the less you will need to worry about working *after* you retire to maintain your lifestyle. Consider this route to "top off" your retirement income:

1. **Determine your retirement needs and resources.** With people living longer than ever before, a sound retirement strategy may need to provide an income stream, indexed for inflation, that can last anywhere from thirty to forty years. Even with a four percent annualized rate of inflation, the cost of goods and services will triple in about twenty-nine years. With this in mind, compare the amount of income you receive *now* with the amount you will have *during retirement*.

   Once you've established this information, you'll need to develop sufficient financial resources to provide you with the needed income stream. What assets do you currently have? What savings plans do you have in place? As you review your retirement program, how will you fill any gaps between what you have saved to date and your retirement needs?
2. **Don't count on Social Security and your pension alone.** In the past, Social Security and a company pension have provided significant sources of retirement income. However, the days of "living off" a pension or Social Security have passed. If you depend on Social Security or your pension alone, you may find your income is insufficient to meet your retirement needs.
3. **Increase your personal savings.** One way to start filling the gap between your expected income and your needs is to increase your savings. Consider adjusting your budget to reallocate cash toward a savings program that is suitable for you.
4. **Take advantage of your company plan.** If your employer sponsors a retirement program, consider contributing the maximum amount. This can help you take advantage of pre-tax contributions and accumulations on a tax-deferred basis. In addition, many employers *match* employee contributions—usually up to a maximum percentage. For example, suppose you contribute ten percent of your income to your 401(k) plan and your employer matches 50 percent of your contribution. Thus, for every dollar you contribute, your employer adds fifty cents. Consequently, your account receives 50 percent more money than you actually contributed. This narrows the gap even further.
5. **Use personal tax-advantaged alternatives.** Individual Retirement Arrangements (IRAs) allow you to save on a tax-deferred basis. In addition, cash value life insurance policies and annuities may also provide tax-deferred opportunities.

Put Yourself in the Driver's Seat

Retirement may seem a long way off, especially if you have immediate and pressing financial concerns. However, many people in their prime earning years neglect to build adequate savings. The sooner you start taking advantage of *all* your retirement income opportunities, the better off you are likely to be when retirement day dawns. Why not take a few moments to review your retirement strategy? If you begin fueling up on all potential sources of retirement income *now*, you'll be in the best position to secure a comfortable financial future. $

Credit Card Errors: "Writing" a Wrong

If you were to discover a billing error on your credit card statement, the first thing you would probably do is call to notify the creditor. But, to avoid having to pay the maximum $50 liability (in the case of a stolen or lost card), you must *write* to the issuer restating what you said over the phone to the creditor.

Even if this concerns only a straightforward billing error, be sure to follow the same procedure. To be covered under the Fair Credit Billing Act, you must report the error in writing within 60 days of the postmark on your statement.

Steps to Take

1. Phone the creditor immediately.
2. Write to the creditor and send the letter by certified mail to the address listed on your statement for billing inquiries (which may differ from where you send your payment) with a return receipt requested.
3. In the letter, include your name, account number, the amount and date of the error, and the reason why you believe it is an error.
4. Include copies of sales slips or other documents that support your position.
5. Request evidence of the credit card charge (often just a photocopy of the charge slip).
6. Keep copies of all documentation for yourself.

The law requires the creditor to investigate your error claim and inform you in writing that they are doing so, within 30 days. The creditor must resolve the matter within two billing cycles or a maximum of 90 days of receiving your notification of the error. While the investigation is in progress, you do not have to pay the amount in question or any interest on it. The disputed amount cannot be reported to a credit agency as delinquent. However, be sure to continue paying any remaining charges.

In Case of a Dispute

If the merchant who has billed the amount in question argues that it is a valid charge, you can continue to dispute the charge by requesting documents to support the merchant's claim of validity and making your case to the issuer again. If the creditor rules that the merchant's assertion is valid, they must provide a reason. The charge will then be put back on the statement, at which time you will have 10 days (or your normal grace period) to either pay

or protest the charge in a written statement.

At this point, if you have not paid the disputed amount, the charge can be reported to credit agencies as delinquent. However, you can request that a notation be added to your credit reports that there is an ongoing dispute. You have the right to request information about who has received notification of the delinquency. When the dispute is finally resolved, all who have been previously notified of the delinquency must be notified of the resolution.

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