A G M Investment Group

(Some answers to questions you might have.)

Getting Started: Establishing a Financial Safety Net

In times of crisis, you don't want to be shaking pennies out of a piggy bank. Having a financial safety net in place can ensure that you're protected when a financial emergency arises. One way to accomplish this is by setting up a cash reserve, a pool of readily available funds that can help you meet emergency or highly urgent short-term needs.

How much is enough?

Most financial professionals suggest that you have three to six months' worth of living expenses in your cash reserve. The actual amount, however, should be based on your particular circumstances. Do you have a mortgage? Do you have short-term and long-term disability protection? Are you paying for your child's orthodontics? Are you making car payments? Other factors you need to consider include your job security, health, and income. The bottom line: Without an emergency fund, a period of crisis (e.g., unemployment, disability) could be financially devastating.

Building your cash reserve

If you haven't established a cash reserve, or if the one you have is inadequate, you can take several steps to eliminate the shortfall:

- Save aggressively: If available, use payroll deduction at work; budget your savings as part of regular household expenses
- Reduce your discretionary spending (e.g., eating out, movies, lottery tickets)
- Use current or liquid assets (those that are cash or are convertible to cash within a year, such as a short-term certificate of deposit)
- Use earnings from other investments (e.g.,stocks, bonds, or mutual funds)
- Check out other resources (e.g., do you have a cash value insurance policy that you can borrow from?)

A final note: Your credit line can be a secondary source of funds in a time of crisis. Borrowed money, however, has to be paid back (often at high interest rates). As a result, you shouldn't consider lenders as a primary source for your cash reserve.

Where to keep your cash reserve

You'll want to make sure that your cash reserve is readily available when you need it. However, an FDIC-insured, low-interest savings account isn't your only option. There are several excellent alternatives, each with unique advantages. For example, money market accounts and short-term CDs typically offer higher interest rates than savings accounts, with little (if any) increased risk.

Note:*Don't confuse a money market mutual fund with a money market deposit account. An investment in a money market mutual fund is not insured or guaranteed by the FDIC. Although the mutual fund seeks to preserve the value of your investment at $1 per share, it is possible to lose money by investing in the fund.*

Note:*When considering a money market mutual fund, be sure to obtain and read the fund's prospectus, which is available from the fund or your financial advisor, and outlines the fund's investment objectives, risks, fees, expenses. Carefully consider those factors before investing.*

It's important to note that certain fixed-term investment vehicles (i.e., those that pledge to return your principal plus interest on a given date), such as CDs, impose a significant penalty for early withdrawals. So, if you're going to use fixed-term investments as part of your cash reserve, you'll want to be sure to ladder (stagger) their maturity dates over a short period of time (e.g., two to five months). This will ensure the availability of funds, without penalty, to meet sudden financial needs.

Review your cash reserve periodically

Your personal and financial circumstances change often--a new child comes along, an aging parent becomes more dependent, or a larger home brings increased expenses. Because your cash reserve is the first line of protection against financial devastation, you should review it annually to make sure that it fits your current needs.

Buying a Home

There's no doubt about it--owning a home is an exciting prospect. After all, you've always dreamed of having a place that you could truly call your own. But buying a home can be stressful, especially when you're buying one for the first time. Fortunately, knowing what to expect can make it a lot easier.

How much can you afford?

According to a general rule of thumb, you can afford a house that costs two and a half times your annual salary. But determining how much you can afford to spend on a house is not quite so simple. Since most people finance their home purchases, buying a house usually means getting a mortgage. So, the amount you can afford to spend on a house is often tied to figuring out how large a mortgage you can afford. To figure this out, you'll need to take into account your gross monthly income, housing expenses, and any long-term debt. Try using one of the many real estate and personal finance websites to help you with the calculations.

Mortgage prequalification vs. preapproval

Once you have an idea of how much of a mortgage you can afford, you'll want to shop around and compare the mortgage rates and terms that various lenders offer. When you find the right lender, find out how you can prequalify or get preapproval for a loan. Prequalifying gives you the lender's estimate of how much you can borrow and in many cases can be done over the phone, usually at no cost. Prequalification does not guarantee that the lender will grant you a loan, but it can give you a rough idea of where you stand. If you're really serious about buying, however, you'll probably want to get preapproved for a loan. Preapproval is when the lender, after verifying your income and performing a credit check, lets you know exactly how much you can borrow. This involves completing an application, revealing your financial information, and paying a fee.

It's important to note that the mortgage you qualify for or are approved for is not always what you can actually afford. Before signing any loan paperwork, take an honest look at your lifestyle, standard of living, and spending habits to make sure that your mortgage payment won't be beyond your means.

Should you use a real estate agent or broker?

A knowledgeable real estate agent or buyer's broker can guide you through the process of buying a home and make the process much easier. This assistance can be especially helpful to a first-time home buyer. In particular, an agent or broker can:

- Help you determine your housing needs
- Show you properties and neighborhoods in your price range
- Suggest sources and techniques for financing

- Prepare and present an offer to purchase
- Act as an intermediary in negotiations
- Recommend professionals whose services you may need (e.g., lawyers, mortgage brokers, title professionals, inspectors)
- Provide insight into neighborhoods and market activity
- Disclose positive and negative aspects of properties you're considering

Keep in mind that if you enlist the services of an agent or broker, you'll want to find out how he or she is being compensated (i.e., flat fee or commission based on a percentage of the sale price). Many states require the agent or broker to disclose this information to you up front and in writing.

Choosing the right home

Before you begin looking at houses, decide in advance the features that you want your home to have. Knowing what you want ahead of time will make the search for your dream home much easier. Here are some things to consider:

- Price of home and potential for appreciation
- Location or neighborhood
- Quality of construction, age, and condition of the property
- Style of home and lot size
- Number of bedrooms and bathrooms
- Quality of local schools
- Crime level of the area
- Property taxes
- Proximity to shopping, schools, and work

Making the offer

Once you find a house, you'll want to make an offer. Most home sale offers and counteroffers are made through an intermediary, such as a real estate agent. All terms and conditions of the offer, no matter how minute, should be put in writing to avoid future problems. Typically, your attorney or real estate agent will prepare an offer to purchase for you to sign. You'll also include a nominal down payment, such as $500. If the seller accepts the offer to purchase, he or she will sign the contract, which will then become a binding agreement between you and the seller. For this reason, it's a good idea to have your attorney review any offer to purchase before you sign.

Other details

Once the seller has accepted your offer, you, your real estate agent, or the mortgage lender will get busy completing procedures and documents

necessary to finalize the purchase. These include finalizing the mortgage loan, appraising the house, surveying the property, and getting homeowners insurance. Typically, you would have made your offer contingent upon the satisfactory completion of a home inspection, so now's the time to get this done as well.

The closing

The closing meeting, also known as a title closing or settlement, can be a tedious process--but when it's over, the house is yours! To make sure the closing goes smoothly, some or all of the following people should be present: the seller and/or the seller's attorney, your attorney, the closing agent (a real estate attorney or the representative of a title company or mortgage lender), and both your real estate agent and the seller's.

At the closing, you'll be required to sign the following paperwork:

- Promissory note: This spells out the amount and repayment terms of your mortgage loan.
- Mortgage: This gives the lender a lien against the property.
- Truth-in-lending disclosure: This tells you exactly how much you will pay over the life of your mortgage, including the total amount of interest you'll pay.
- HUD-1 settlement statement: This details the cash flows among the buyer, seller, lender, and other parties to the transaction. It also lists the amounts of all closing costs and who is responsible for paying these.

In addition, you'll need to provide proof that you have insured the property. You'll also be required to pay certain costs and fees associated with obtaining the mortgage and closing the real estate transaction. On average, these total between 3 and 7 percent of your mortgage amount, so be sure to bring along your checkbook.

Health Insurance Made Simple

Let's face it--in today's world, health insurance is a necessity. In fact, beginning in 2014, most U.S. citizens and legal residents must have qualifying health insurance or face a penalty tax. Yet the cost of medical care is soaring higher every year, and it's becoming increasingly difficult (and in some cases, impossible) to pay medical costs out of pocket. Whether you already have health insurance or want to get it, here's some basic information to help you understand it.

Not part of a group? You may have to go it alone

You may have group health insurance or be able to buy it through your employer. Group insurance is most commonly offered through employers. It is also offered through some civic groups and other organizations (e.g., auto clubs, chambers of commerce). A single policy covers the medical expenses of a group of people. All eligible members of the group can be covered by a group policy regardless of age or physical condition. The premium for group insurance is calculated based on characteristics of the group as a whole, such as average age and degree of occupational hazard. It's generally less expensive than individual insurance.

If you can't join a group, consider buying individual insurance. Unlike group insurance, individual insurance is purchased directly from an insurance company or agent. When you apply, you are evaluated in terms of how much risk you present to the insurance company. Your risk potential will determine whether you qualify for insurance and how much it will cost, depending on state laws. You must pay the full premiums yourself.

Know what's out there

The cost and range of protection that your health insurance provides will depend on your insurance provider and the particular policy you purchase. You may have comprehensive health insurance that involves several types of coverage, or basic coverage that includes hospital, surgical, and physicians' expenses. In addition, major medical coverage is necessary in the event of a catastrophic accident or illness. Many plans also cover prescriptions, mental health services, and other health-related activities (e.g., health-club memberships).

When it comes to health insurance, HMO, PPO, and POS are more than just letters. You need to know the types of health plans available so that you can make an informed decision. You can obtain health insurance through traditional insurers like Blue Cross/Blue Shield, health maintenance organizations (HMOs), preferred provider organizations (PPOs), point of service (POS) plans, and exclusive provider organizations (EPOs).

- Traditional insurers: These plans usually allow you flexibility regarding choice of doctors and other health-care providers. Some policies reimburse you for covered expenses, while others make payments directly to medical providers. You will pay a deductible and a percentage of each bill, known as coinsurance.
- HMOs: Health maintenance organizations cover only medical treatment provided by physicians and facilities within their networks. You must choose a primary care physician, who will either approve or deny any requests to see a specialist. You usually pay a fixed monthly fee for

health-care coverage, as well as small co-payments (e.g., $10 for each office visit and prescription).

- PPOs: Preferred provider organizations do not require members to seek care from PPO physicians and hospitals, but there is usually strong financial incentive to do so (in terms of percentage of reimbursement). You usually pay a fixed monthly fee for health-care coverage, as well as small co-payments (e.g., $10 for each office visit and prescription).
- POSs: Point of service plans combine characteristics of the HMO and PPO. You must choose a primary care physician to be responsible for all of your referrals within the POS network. Although you can choose to go outside the network with this type of plan, your health care will be covered at a lower level.
- EPOs: Exclusive provider organizations are basically PPOs with one important difference: EPOs provide no coverage for non-network care.

Read your contract

You should have a basic understanding of what your policy does and does not cover. This may help you prevent an unexpected medical bill from arriving in your mailbox, because you'll know ahead of time, for instance, whether or not liposuction is covered. You must read your policy carefully, particularly the section on limitations and exclusions. The specifics will vary from policy to policy. In general, though, most policies will at least mention the following:

- Pre-existing conditions: An illness or injury that began or occurred before you obtained coverage under the policy. These conditions are often excluded from coverage for a time period, depending on state laws.
- Nonduplication of benefits: Benefits will not be paid for amounts reimbursed by other insurance companies.

Your health insurance policy should also address the following issues:

- Deductible: The amount that you must pay before insurance coverage begins (usually an annual figure
- Coinsurance: The portion of each medical bill for which you are responsible
- Co-payment: The fixed fee that you pay for each doctor visit or prescription
- Family coverage: Many group plans allow you to cover your spouse and dependents for an increased premium

- Out-of-pocket maximum: This provision is designed to limit your liability for medical expenses in the calendar year; you won't have to make coinsurance payments in excess of this figure
- Benefit ceiling: The maximum lifetime payout under the insurance policy, usually at least $1 million

Understanding Defined Benefit Plans

You may be counting on funds from a defined benefit plan to help you achieve a comfortable retirement. Often referred to as traditional pension plans, defined benefit plans promise to pay you a specified amount at retirement.

To help you understand the role a defined benefit plan might play in your retirement savings strategy, here's a look at some basic plan attributes. But since every employer's plan is a little different, you'll need to read the summary plan description, or SPD, provided by your company to find out the details of your own plan.

What are defined benefit plans?

Defined benefit plans are qualified employer-sponsored retirement plans. Like other qualified plans, they offer tax incentives both to employers and to participating employees. For example, your employer can generally deduct contributions made to the plan. And you generally won't owe tax on those contributions until you begin receiving distributions from the plan (usually during retirement). However, these tax incentives come with strings attached--all qualified plans, including defined benefit plans, must comply with a complex set of rules under the Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code.

How do defined benefit plans work?

A defined benefit plan guarantees you a certain benefit when you retire. How much you receive generally depends on factors such as your salary, age, and years of service with the company.

Each year, pension actuaries calculate the future benefits that are projected to be paid from the plan, and ultimately determine what amount, if any, needs to be contributed to the plan to fund that projected benefit payout. Employers are normally the only contributors to the plan. But defined benefit

plans can require that employees contribute to the plan, although it's uncommon.

You may have to work for a specific number of years before you have a permanent right to any retirement benefit under a plan. This is generally referred to as "vesting." If you leave your job before you fully vest in an employer's defined benefit plan, you won't get full retirement benefits from the plan.

How are retirement benefits calculated?

Retirement benefits under a defined benefit plan are based on a formula. This formula can provide for a set dollar amount for each year you work for the employer, or it can provide for a specified percentage of earnings. Many plans calculate an employee's retirement benefit by averaging the employee's earnings during the last few years of employment (or, alternatively, averaging an employee's earnings for his or her entire career), taking a specified percentage of the average, and then multiplying it by the employee's number of years of service.

Note: Many defined benefit pension plan formulas also reduce pension benefits by a percentage of the amount of Social Security benefits you can expect to receive.

How will retirement benefits be paid?

Many defined benefit plans allow you to choose how you want your benefits to be paid. Payment options commonly offered include:

- A single life annuity: You receive a fixed monthly benefit until you die; after you die, no further payments are made to your survivors.
- A qualified joint and survivor annuity: You receive a fixed monthly benefit until you die; after you die, your surviving spouse will continue to receive benefits (in an amount equal to at least 50 percent of your benefit) until his or her death.
- A lump-sum payment: You receive the entire value of your plan in a lump sum; no further payments will be made to you or your survivors.

Choosing the right payment option is important, because the option you choose can affect the amount of benefit you ultimately receive. You'll want to consider all of your options carefully, and compare the benefit payment amounts under each option. Because so much may hinge on this decision, you may want to discuss your options with a financial advisor.

What are some advantages offered by defined benefit plans?

- Defined benefit plans can be a major source of retirement income. They're generally designed to replace a certain percentage (e.g., 70 percent) of your preretirement income when combined with Social Security.
- Benefits do not hinge on the performance of underlying investments, so you know ahead of time how much you can expect to receive at retirement.
- Most benefits are insured up to a certain annual maximum by the federal government through the Pension Benefit Guaranty Corporation (PBGC).

How do defined benefit plans differ from defined contribution plans?

Though it's easy to do, don't confuse a defined benefit plan with another type of qualified retirement plan, the defined contribution plan (e.g., 401(k) plan, profit-sharing plan). As the name implies, a defined benefit plan focuses on the ultimate benefits paid out. Your employer promises to pay you a certain amount at retirement and is responsible for making sure that there are enough funds in the plan to eventually pay out this amount, even if plan investments don't perform well.

In contrast, defined contribution plans focus primarily on current contributions made to the plan. Your plan specifies the contribution amount you're entitled to each year (contributions made by either you or your employer), but your employer is not obligated to pay you a specified amount at retirement. Instead, the amount you receive at retirement will depend on the investments you choose and how those investments perform.

Some employers offer hybrid plans. Hybrid plans include defined benefit plans that have many of the characteristics of defined contribution plans. One of the most popular forms of a hybrid plan is the cash balance plan.

What are cash balance plans?

Cash balance plans are defined benefit plans that in many ways resemble defined contribution plans. Like defined benefit plans, they are obligated to pay you a specified amount at retirement, and are insured by the federal government. But they also offer one of the most familiar features of a defined contribution plan: Retirement funds accumulate in an individual account (in this case, a hypothetical account).

This allows you to easily track how much retirement benefit you have accrued. And your benefit is portable. If you leave your employer, you can generally opt to receive a lump-sum distribution of your vested account balance. These funds can be rolled over to an individual retirement account (IRA) or to your new employer's retirement plan.

What you should do now

It's never too early to start planning for retirement. Your pension income, along with Social Security, personal savings, and investment income, can help you realize your dream of living well in retirement.

Start by finding out how much you can expect to receive from your defined benefit plan when you retire. Your employer will send you this information every year. But read the fine print. Estimates often assume that you'll retire at age 65 with a single life annuity. Your monthly benefit could end up to be far less if you retire early or receive a joint and survivor annuity. Finally, remember that most defined benefit plans don't offer cost-of-living adjustments, so benefits that seem generous now may be worth a lot less in the future when inflation takes its toll.

Here are some other things you can do to make the most of your defined benefit plan:

- Read the summary plan description. It provides details about your company's pension plan and includes important information, such as vesting requirements and payment options. Address questions to your plan administrator if there's anything you don't understand.
- Review your account information, making sure you know what benefits you are entitled to. Do this periodically, checking your Social Security number, date of birth, and the compensation used to calculate your benefits, since these are common sources of error.
- Notify your plan administrator of any life changes that may affect your benefits (e.g., marriage, divorce, death of spouse).
- Keep track of the pension information for each company you've worked for. Make sure you have copies of pension plan statements that accurately reflect the amount of benefits you're entitled to receive.
- Watch out for changes. Employers are allowed to change and even terminate pension plans, but you will receive ample notice. The key is, read all notices you receive.
- Assess the impact of changing jobs on your pension. Consider staying with one employer at least until you're vested. Keep in mind that the longer you stay with one employer, the more you're likely to receive at retirement.

Evaluating a Job Offer

If you're considering changing jobs, you're not alone. Today, few people stay with one employer until retirement. It's likely that at some point during your career, you'll be looking for a new job. You may be looking to make more money or seeking greater career opportunities. Or, you may be forced to look for new employment if your company restructures. Whatever the reason, you'll eventually be faced with an important decision: When you receive an offer, should you take it? You can find the job that's right for you by following a few sensible steps.

How does the salary offer stack up?

What if the salary you've been offered is less than you expected? First, find out how frequently you can expect performance reviews and/or pay increases. Expect the company to increase your salary at least annually. To fully evaluate the salary being offered, compare it with the average pay of other professionals working in the same field. You can do this by talking to others who hold similar jobs, calling a recruiter (i.e., a headhunter), or doing research at your local library or on the Internet. The Bureau of Labor Statistics is a good source for this information.

Bonuses and other benefits

Next, ask about bonuses, commissions, and profit-sharing plans that can increase your total income. Find out what benefits the company offers and how much of the cost you'll bear as an employee. Don't overlook the value of good employee benefits. They can add the equivalent of thousands of dollars to your base pay. Ask to look over the benefits package available to new employees. Also, find out what opportunities exist for you to move up in the company. This includes determining what the company's goals are and the type of employee that the company values.

Personal and professional consequences

Will you be better off financially if you take the job? Will you work a lot of overtime, and is the scheduling somewhat flexible? Must you travel extensively? Consider the related costs of taking the job, including the cost of transportation, new clothes, a cell phone, increased day-care expenses, and the cost of your spouse leaving his or her job if you are required to relocate. Also, take a look at the company's work environment. You may be getting a good salary and great benefits, but you may still be unhappy if the work environment doesn't suit you. Try to meet the individuals you will be

closely working with. It may also be helpful to find out something about the company's key executives and to read a copy of the mission statement.

Deciding whether to accept the job offer

You've spent a lot of time and energy researching and evaluating a potential job, but the hardest part is yet to come: Now that you have received a job offer, you must decide whether to accept it. Review the information you've gathered. Think back to the interview, paying close attention to your feelings and intuition about the company, the position, and the people you came in contact with. Consider not only the salary and benefits you've been offered, but also the future opportunities you might expect with the company. How strong is the company financially, and is it part of a growing industry? Decide if you would be happy and excited working there. If you're having trouble making a decision, make a list of the pros and cons. It may soon become clear whether the positives outweigh the negatives, or vice versa.

Negotiating a better offer

Sometimes you really want the job you've been offered, but you find the salary, benefits, or hours unfavorable. In this case, it's time to negotiate. You may be reluctant to negotiate because you fear that the company will rescind the offer or respond negatively. However, if you truly want the job but find the offer unacceptable, you may as well negotiate for a better offer rather than walk away from a great opportunity without trying. The first step in negotiating is to tell your potential employer specifically what it is that you want. State the amount of money you want or the exact hours you wish to work. Make it clear that if the company accepts your terms, you are willing and able to accept its offer immediately.

What happens next? It's possible that the company will accept your counteroffer. Or, the company may reject it, because either company policy does not allow negotiation or the company is unwilling to move from its original offer. The company may make you a second offer, typically a compromise between its first offer and your counteroffer. In either case, the ball is back in your court. If you still can't decide whether to take the job, ask for a day or two to think about it. Take your time. Accepting a new job is a big step.

Health Insurance and COBRA: Sometimes You Can Take It with You

If you're like most Americans, you count on your employer for health insurance coverage. But what would happen to your health insurance if you suddenly stopped working or no longer qualified for benefits? No one can

predict the future. It's possible that your company could lay you off or reduce your hours to part-time, your spouse could die, or your marriage could end in divorce. If something unexpected happened, you could be left without health benefits. And remember, buying private health insurance on your own can be pretty costly, especially if you're out of work.

Fortunately, there's the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA). COBRA can prove to be a real lifesaver for you and your family when your health coverage is jeopardized. You may also benefit from the Health Insurance Portability and Accountability Act of 1996 (HIPAA), which took some further steps toward health-care reform.

The Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA) may help you continue your health insurance coverage for a time

COBRA is a federal law designed to protect employees and their dependents from losing health insurance coverage as a result of job loss or divorce. If you and your dependents are covered by an employer-sponsored health insurance plan, a provision of COBRA entitles you to continue coverage when you'd normally lose it. Most larger employers (20+ employees) are required to offer COBRA coverage.

As an employee, you're entitled to COBRA coverage only if your employment has been terminated or if your hours have been reduced. However, your dependents may be eligible for COBRA benefits if they're no longer entitled to employer-sponsored benefits because of divorce, death, or certain other events.

Unfortunately, you can't continue your health insurance coverage forever. You can continue your health insurance for 18 months under COBRA if your employment has been terminated or if your work hours have been reduced. If you're entitled to COBRA coverage for other qualifying reasons, you can continue your coverage for 36 months.

- Divorce: If your former spouse maintained family health coverage through work (and works for a company with at least 20 employees), you may continue this group coverage for up to 36 months after the divorce or legal separation. You'll have to pay for this coverage, though. Your cost of continuing coverage cannot exceed 102 percent of the employer's cost for the insurance. COBRA coverage will terminate sooner than 36 months if you remarry or obtain coverage under another group health plan.

- Company goes out of business: Unfortunately, you may be out of luck here. If your company goes out of business and no longer has a group health insurance policy in force, then COBRA coverage will not be available. (A possible exception involves union employees covered by a collective bargaining agreement.)

Keep in mind that, whatever your circumstance you'll have to pay the premium yourself for COBRA coverage--your employer is not required to pay any part of it. However, if you're eligible for COBRA coverage and don't have any other health insurance, you should probably accept it. Even though you'll pay a lot more for coverage than you did as an employee, it's probably less than you'll pay for individual coverage. You won't be subject to any health screenings, tests, or other pre-existing medical condition requirements when converting to a COBRA contract. Your COBRA benefits and coverage will be identical to those provided to similarly enrolled individuals.

The Health Insurance Portability and Accountability Act of 1996 expanded COBRA

In 1996, HIPAA expanded certain COBRA provisions and created other health-care rights. In many ways, HIPAA took a significant step toward health-care reform in the United States. Some of its provisions may affect you. The major provisions of HIPAA:

- Allow workers to move from one employer to another without fear of losing group health insurance
- Require health insurance companies that serve small groups (2 to 50 employees) to accept every small employer that applies for coverage
- Increase the tax deductibility of medical insurance premiums for the self-employed
- Require health insurance plans to provide inpatient coverage for a mother and newborn infant for at least 48 hours after a normal birth or 96 hours after a cesarean section

For example, assume you're pregnant and covered by a group health insurance plan at work. You decide to take a job at another firm. Under HIPAA, pregnancy cannot be considered a pre-existing condition for a woman who's changing jobs if she was previously covered by a group health insurance plan. So if you had insurance at your old job, you can't be denied health insurance coverage at your new job simply because you're pregnant.

However, many companies require you to be employed for 30 days or more before you become eligible for coverage. If you are nearing the end of your

pregnancy, and that requirement poses a problem for you, you may be eligible for coverage under COBRA through your former employer.

The American Recovery and Reinvestment Act of 2009 provides Cobra subsidy

The American Recovery and Reinvestment Act of 2009 provides that, for involuntary terminations that occur on or after September 1, 2008 and before January 1, 2010, assistance-eligible individuals will only need to pay 35 percent of COBRA premiums for a period of up to fifteen months, as long as they are not eligible for another group health plan or Medicare, and even if their COBRA coverage did not start until a later date due to the terms of a severance arrangement, or the use of banked hours or other similar provision that delayed the start of their COBRA coverage. The remaining 65 percent of COBRA premiums will be subsidized. However, this premium subsidy may need to be repaid in some cases.

Merging Your Money When You Marry

Getting married is exciting, but it brings many challenges. One such challenge that you and your spouse will have to face is how to merge your finances. Planning carefully and communicating clearly are important, because the financial decisions that you make now can have a lasting impact on your future.

Discuss your financial goals

The first step in mapping out your financial future together is to discuss your financial goals. Start by making a list of your short-term goals (e.g., paying off wedding debt, new car, vacation) and long-term goals (e.g., having children, your children's college education, retirement). Then, determine which goals are most important to you. Once you've identified the goals that are a priority, you can focus your energy on achieving them.

Prepare a budget

Next, you should prepare a budget that lists all of your income and expenses over a certain time period (e.g., monthly, annually). You can designate one spouse to be in charge of managing the budget, or you can take turns keeping records and paying the bills. If both you and your spouse are going to be involved, make sure that you develop a record-keeping system that both of you understand. And remember to keep your records in a joint filing system so that both of you can easily locate important documents.

Begin by listing your sources of income (e.g., salaries and wages, interest, dividends). Then, list your expenses (it may be helpful to review several

months of entries in your checkbook and credit card bills). Add them up and compare the two totals. Hopefully, you get a positive number, meaning that you spend less than you earn. If not, review your expenses and see where you can cut down on your spending.

Bank accounts--separate or joint?

At some point, you and your spouse will have to decide whether to combine your bank accounts or keep them separate. Maintaining a joint account does have advantages, such as easier record keeping and lower maintenance fees. However, it's sometimes more difficult to keep track of how much money is in a joint account when two individuals have access to it. Of course, you could avoid this problem by making sure that you tell each other every time you write a check or withdraw funds from the account. Or, you could always decide to maintain separate accounts.

Credit cards

If you're thinking about adding your name to your spouse's credit card accounts, think again. When you and your spouse have joint credit, both of you will become responsible for 100 percent of the credit card debt. In addition, if one of you has poor credit, it will negatively impact the credit rating of the other.

If you or your spouse does not qualify for a card because of poor credit, and you are willing to give your spouse account privileges anyway, you can make your spouse an authorized user of your credit card. An authorized user is not a joint cardholder and is therefore not liable for any amounts charged to the account. Also, the account activity won't show up on the authorized user's credit record. But remember, you remain responsible for the account.

Insurance

If you and your spouse have separate health insurance coverage, you'll want to do a cost/benefit analysis of each plan to see if you should continue to keep your health coverage separate. For example, if your spouse's health plan has a higher deductible and/or co-payments or fewer benefits than those offered by your plan, he or she may want to join your health plan instead. You'll also want to compare the rate for one family plan against the cost of two single plans.

It's a good idea to examine your auto insurance coverage, too. If you and your spouse own separate cars, you may have different auto insurance carriers. Consider pooling your auto insurance policies with one company;

many insurance companies will give you a discount if you insure more than one car with them. If one of you has a poor driving record, however, make sure that changing companies won't mean paying a higher premium.

Employer-sponsored retirement plans

If both you and your spouse participate in an employer-sponsored retirement plan, you should be aware of each plan's characteristics. Review each plan together carefully and determine which plan provides the best benefits. If you can afford it, you should each participate to the maximum in your own plan. If your current cash flow is limited, you can make one plan the focus of your retirement strategy. Here are some helpful tips:

- If both plans match contributions, determine which plan offers the best match and take full advantage of it
- Compare the vesting schedules for the employer's matching contributions
- Compare the investment options offered by each plan--the more options you have, the more likely you are to find an investment mix that suits your needs
- Find out whether the plans offer loans--if you plan to use any of your contributions for certain expenses (e.g., your children's college education, a down payment on a house), you may want to participate in the plan that has a loan provision

Saving for Retirement and a Child's Education at the Same Time

You want to retire comfortably when the time comes. You also want to help your child go to college. So how do you juggle the two? The truth is, saving for your retirement and your child's education at the same time can be a challenge. But take heart--you may be able to reach both goals if you make some smart choices now.

Know what your financial needs are

The first step is to determine what your financial needs are for each goal. Answering the following questions can help you get started:

For retirement:

- How many years until you retire?
- Does your company offer an employer-sponsored retirement plan or a pension plan? Do you participate? If so, what's your balance? Can you estimate what your balance will be when you retire?

- How much do you expect to receive in Social Security benefits? (You can estimate this amount by using your Personal Earnings and Benefit Statement, now mailed every year by the Social Security Administration.)
- What standard of living do you hope to have in retirement? For example, do you want to travel extensively, or will you be happy to stay in one place and live more simply?
- Do you or your spouse expect to work part-time in retirement?

For college:

- How many years until your child starts college?
- Will your child attend a public or private college? What's the expected cost?
- Do you have more than one child whom you'll be saving for?
- Does your child have any special academic, athletic, or artistic skills that could lead to a scholarship?
- Do you expect your child to qualify for financial aid?

Many on-line calculators are available to help you predict your retirement income needs and your child's college funding needs.

Figure out what you can afford to put aside each month

After you know what your financial needs are, the next step is to determine what you can afford to put aside each month. To do so, you'll need to prepare a detailed family budget that lists all of your income and expenses. Keep in mind, though, that the amount you can afford may change from time to time as your circumstances change. Once you've come up with a dollar amount, you'll need to decide how to divvy up your funds.

Retirement takes priority

Though college is certainly an important goal, you should probably focus on your retirement if you have limited funds. With generous corporate pensions mostly a thing of the past, the burden is primarily on you to fund your retirement. But if you wait until your child is in college to start saving, you'll miss out on years of tax-deferred growth and compounding of your money. Remember, your child can always attend college by taking out loans (or maybe even with scholarships), but there's no such thing as a retirement loan!

If possible, save for your retirement and your child's college at the same time

Ideally, you'll want to try to pursue both goals at the same time. The more money you can squirrel away for college bills now, the less money you or your child will need to borrow later. Even if you can allocate only a small amount to your child's college fund, say $50 or $100 a month, you might be surprised at how much you can accumulate over many years. For example, if you saved $100 every month and earned 8 percent, you'd have $18,415 in your child's college fund after 10 years. (This example is for illustrative purposes only and does not represent a specific investment.)

If you're unsure how to allocate your funds between retirement and college, a professional financial planner may be able to help you. This person can also help you select the best investments for each goal. Remember, just because you're pursuing both goals at the same time doesn't necessarily mean that the same investments will be appropriate. Each goal should be treated independently.

Help! I can't meet both goals

If the numbers say that you can't afford to educate your child or retire with the lifestyle you expected, you'll have to make some sacrifices. Here are some things you can do:

- Defer retirement: The longer you work, the more money you'll earn and the later you'll need to dip into your retirement savings.
- Work part-time during retirement.
- Reduce your standard of living now or in retirement: You might be able to adjust your spending habits now in order to have money later. Or, you may want to consider cutting back in retirement.
- Increase your earnings now: You might consider increasing your hours at your current job, finding another job with better pay, taking a second job, or having a previously stay-at-home spouse return to the workforce.
- Invest more aggressively: If you have several years until retirement or college, you might be able to earn more money by investing more aggressively (but remember that aggressive investments mean a greater risk of loss).
- Expect your child to contribute more money to college: Despite your best efforts, your child may need to take out student loans or work part-time to earn money for college.
- Send your child to a less expensive school: You may have dreamed your child would follow in your footsteps and attend an Ivy League

school. However, unless your child is awarded a scholarship, you may need to lower your expectations. Don't feel guilty--a lesser-known liberal arts college or a state university may provide your child with a similar quality education at a far lower cost.

- Think of other creative ways to reduce education costs: Your child could attend a local college and live at home to save on room and board, enroll in an accelerated program to graduate in three years instead for four, take advantage of a cooperative education where paid internships alternate with course work, or defer college for a year or two and work to earn money for college.

Can retirement accounts be used to save for college?

Yes. Should they be? Probably not. Most financial planners discourage paying for college with funds from a retirement account; they also discourage using retirement funds for a child's college education if doing so will leave you with no funds in your retirement years. However, you can certainly tap your retirement accounts to help pay the college bills if you need to. With IRAs, you can withdraw money penalty free for college expenses, even if you're under age 59½ (though there may be income tax consequences for the money you withdraw). But with an employer-sponsored retirement plan like a 401(k) or 403(b), you'll generally pay a 10 percent penalty on any withdrawals made before you reach age 59½ (age 55 in some cases), even if the money is used for college expenses. You may also be subject to a six month suspension if you make a hardship withdrawal. There may be income tax consequences, as well. (Check with your plan administrator to see what withdrawal options are available to you in your employer-sponsored retirement plan.)

Tax Benefits of Home Ownership

In tax lingo, your principal residence is the place where you legally reside. It's typically the place where you spend most of your time, but several other factors are also relevant in determining your principal residence. Many of the tax benefits associated with home ownership apply mainly to your principal residence--different rules apply to second homes and investment properties. Here's what you need to know to make owning a home really pay off at tax time.

Deducting mortgage interest

One of the most important tax benefits that comes with owning a home is the fact that you may be able to deduct any mortgage interest that you pay. If you itemize deductions on Schedule A of your federal income tax return, you can generally deduct the interest that you pay on debt resulting from a

loan used to buy, build, or improve your home, provided that the loan is secured by your home. In tax terms, this is referred to as "home acquisition debt." You're able to deduct home acquisition debt on a second home as well as your main home (note, however, that when it comes to second homes, special rules apply if you rent the home out for part of the year).

Up to $1 million of home acquisition debt ($500,000 if you're married and file separately) qualifies for the interest deduction. (Different rules apply if you incurred the debt before October 14, 1987.) If your mortgage loan exceeds $1 million, some of the interest that you pay on the loan may not be deductible.

You're also generally able to deduct interest you pay on certain home equity loans or lines of credit secured by your home, but the rules are different. Home equity debt typically involves a loan secured by your main or second home, not used to buy, build, or improve your home. Deductible home equity debt is limited to the lesser of:

- The fair market value of the home minus the total home acquisition debt on that home, or
- $100,000 (or $50,000 if your filing status is married filing separately) for main and second homes combined

The interest that you pay on a qualifying home equity loan or line of credit is generally deductible regardless of how you use the loan proceeds. For more information, see IRS Publication 936.

Mortgage insurance

For 2011, you can treat qualified mortgage insurance as home mortgage interest, provided that the insurance is associated with home acquisition debt, and is being paid on an insurance contract issued after 2006. Qualified mortgage insurance is mortgage insurance provided by the Department of Veterans Affairs, the Federal Housing Administration, the Rural Housing Service, and qualified private mortgage insurance (PMI) providers. The deduction is phased out, though, if your adjusted gross income is more than $100,000 ($50,000 if you're married and file separately). Unless extended by additional legislation, this deduction is not available in 2012.

Deducting real estate property taxes

If you itemize deductions on Schedule A, you can also generally deduct real estate taxes that you've paid on your property in the year that they're paid to the taxing authority. If you pay your real estate taxes through an escrow account, you can only deduct the real estate taxes actually paid by your

lender from the escrow account during the year. Only the legal property owner can deduct real estate taxes. You cannot deduct homeowner association assessments, since they are not imposed by a state or local government.

AMT considerations

If you're subject to the alternative minimum tax (AMT) in a given year, your ability to deduct mortgage interest and real estate taxes may be limited. That's because, under the AMT calculation, no deduction is allowed for state and local taxes, including real estate tax. And, under the AMT rules, only interest on mortgage and home equity debt used to buy, build, or improve your home is deductible. So, if you use a home equity loan to purchase a car, the interest on the loan may be deductible for regular income tax purposes, but not for AMT.

Deducting points and closing costs

Buying a home is confusing enough without wondering how to handle the settlement charges at tax time. When you take out a loan to buy a home, or when you refinance an existing loan on your home, you'll probably be charged closing costs. These may include points, as well as attorney's fees, recording fees, title search fees, appraisal fees, and loan or document preparation and processing fees. You'll need to know whether you can deduct these fees (in part or in full) on your federal income tax return, or whether they're simply added to the cost basis of your home.

Before we get to that, let's define one term. Points are certain charges paid when you obtain a home mortgage. They are sometimes called loan origination fees. One point typically equals one percent of the loan amount borrowed. When you buy your main home, you may be able to deduct points in full in the year that you pay them if you itemize deductions and meet certain requirements. You may even be able to deduct points that the seller pays for you. More information about these requirements is available in IRS Publication 936.

Refinanced loans are treated differently. Generally, points that you pay on a refinanced loan are not deductible in full in the year that you pay them. Instead, they're deducted ratably over the life of the loan. In other words, you can deduct a certain portion of the points each year. If the loan is used to make improvements to your principal residence, however, you may be able to deduct the points in full in the year paid.

What about other settlement fees and closing costs? Generally, you cannot deduct these costs on your tax return. Instead, you must adjust your tax basis (the cost, plus or minus certain factors) in your home. For example, you'd increase your basis to reflect certain closing costs, including:

- Abstract fees
- Charges for installing utility services
- Legal fees
- Recording fees
- Surveys
- Transfer or stamp taxes
- Owner's title insurance

For more information, see IRS Publication 530.

Tax treatment of home improvements and repairs

Home improvements and repairs are generally nondeductible. Improvements, though, can increase the tax basis of your home (which in turn can lower your tax bite when you sell your home). Improvements add value to your home, prolong its life, or adapt it to a new use. For example, the installation of a deck, a built-in swimming pool, or a second bathroom would be considered an improvement. In contrast, a repair simply keeps your home in good operating condition. Regular repairs and maintenance (e.g., repainting your house and fixing your gutters) are not considered improvements and are not included in the tax basis of your home. However, if repairs are performed as part of an extensive remodeling of your home, the entire job may be considered an improvement.

If you make certain improvements to your home that improve your home's energy efficiency, you may be eligible for a federal income tax credit in 2011.

Energy tax credit

In 2011, but not in 2012, a credit is available to individuals who make energy-efficient improvements to their homes. You may be entitled to a 10% credit for the purchase of qualified energy-efficient improvements including a roof, windows, skylights, exterior doors, and insulation materials. Specific credit amounts may also be available for the purchase of specified energy-efficient property: $50 for an advanced main air circulating fan; $150 for a qualified furnace or hot water boiler; and $300 for other items, including qualified electric heat pump water heaters and central air conditioning units.

There's a lifetime credit cap of $500 ($200 for windows), however. So, if you've claimed the credit in the past--in one or more tax years after 2005--you're only entitled to the difference between the current cap, and the total amount that you've claimed in the past. That includes any credit that you claimed in 2009 and 2010, when the aggregate limit on the credit was $1,500.

Exclusion of capital gain when your house is sold

If you sell your principal residence at a loss, you generally can't deduct the loss on your tax return. If you sell your principal residence at a gain you may be able to exclude some or all of the gain from federal income tax.

Generally speaking, capital gain (or loss) on the sale of your principal residence equals the sale price of your home less your adjusted basis in the property. Your adjusted basis is the cost of the property (i.e., what you paid for it initially), plus amounts paid for capital improvements, less any depreciation and casualty losses claimed for tax purposes.

If you meet all requirements, you can exclude from federal income tax up to $250,000 ($500,000 if you're married and file a joint return) of any capital gain that results from the sale of your principal residence. In general this exclusion can be used only once every two years. To qualify for the exclusion, you must have owned and used the home as your principal residence for a total of two out of the five years before the sale.

For example, you and your spouse bought your home in 1981 for $200,000. You've lived in it ever since and file joint federal income tax returns. You sold the house yesterday for $350,000. Your entire $150,000 gain ($350,000 - $200,000) is excludable. That means that you don't have to report your home sale on your federal income tax return.

What if you fail to meet the two-out-of-five-year rule? Or what if you used the capital gain exclusion within the past two years with respect to a different principal residence? You may still be able to exclude part of your gain if your home sale was due to a change in place of employment, health reasons, or certain other unforeseen circumstances. In such a case, exclusion of the gain may be prorated.

Additionally, special rules may apply in the following cases:

- If your principal residence contained a home office or was otherwise used partially for business purposes
- If you sell vacant land adjacent to your principal residence

- If your principal residence is owned by a trust
- If you rented part of your principal residence to tenants, or used it as a vacation or second home
- If you owned your principal residence jointly with an unmarried individual

Note: *Members of the uniformed services, foreign services, and intelligence community, as well as certain Peace Corps volunteers and employees may elect to suspend the running of the two-out-of-five-year requirement during any period of qualified official extended duty up to a maximum of ten years.*

Consult a tax professional for details.

529 Plans vs. Other College Savings Options

Section 529 plans can be a great way to save for college--in many cases, the best way--but they're not the only way. When you're investing for a major goal like education, it makes sense to be familiar with all of your options.

U.S. savings bonds

U.S. savings bonds are backed by the full faith and credit of the federal government. They're very easy to purchase, and available in face values as low as $50 ($25 if purchased electronically). Two types of savings bonds, Series EE (which may also be called Patriot bonds) and Series I bonds, are popular college savings vehicles. Not only is the interest earned on them exempt from state and local tax at the time you redeem (cash in) the bonds, but you may be able to exclude at least some of the interest from federal income tax if you meet the following conditions:

- Your modified adjusted gross income (MAGI) must be below $87,850 if you're filing single and $139,250 if you're married filing jointly in 2012
- The bond proceeds must be used to pay for qualified education expenses
- The bonds must have been issued in 1990 or later
- The bonds must be in the name of one or both parents, not in the child's name
- Married taxpayers must file a joint return
- The bonds must have been purchased by someone at least 24 years old
- The bonds must be redeemed in the same year that qualified education expenses are being paid

But a 529 plan, which includes both college savings plans and prepaid tuition plans, may be a more attractive way to save for college. A college savings

plan invests primarily in stocks through one or more pre-established investment portfolios that you generally choose upon joining the plan. So, a college savings plan has a greater return potential than U.S. savings bonds, because stocks have historically averaged greater returns than bonds (though past performance is no guarantee of future results). However, there is a greater risk of loss of principal with a college savings plan. Your rate of return is not guaranteed--you could even lose some of your original contributions. By contrast, a prepaid tuition plan generally guarantees you an annual rate of return in the same range as U.S. savings bonds (or maybe higher, depending on the rate of college inflation).

Perhaps the best advantage of 529 plans is the federal income tax treatment of withdrawals used to pay qualified education expenses. These withdrawals are completely free from federal income tax no matter what your income, and some states also provide state income tax benefits. The income tax exclusion for Series EE and Series I savings bonds is gradually phased out for couples who file a joint return and have a MAGI between $109,250 and $139,250. The same happens for single taxpayers with a MAGI between $72,850 and $87,850. These income limits are for 2012 and are indexed for inflation.

However, keep in mind that if you don't use the money in your 529 account for qualified education expenses, you will owe a 10 percent federal penalty tax on the earnings portion of the funds you've withdrawn. And as the account owner, you may owe federal (and in some cases state) income taxes on the earnings portion of your withdrawal, as well. Plus, there are typically fees and expenses associated with 529 plans. College savings plans may charge an annual maintenance fee, an administrative fee, and an investment fee based on a percentage of total account assets, while prepaid tuition plans typically charge an enrollment fee and various administrative fees.

Mutual funds

At one time, mutual funds were more widely used for college savings than 529 plans. Mutual funds do not impose any restrictions or penalties if you need to sell your shares before your child is ready for college. However, if you withdraw assets from a 529 plan and use the money for noneducational expenses, the earnings part of the withdrawal will be taxed and penalized. Also, mutual funds let you keep much more control over your investment decisions because you can choose from a wide range of funds, and you're typically free to move money among a company's funds, or from one family of funds to another, as you see fit.

By contrast, you can't choose your investments with a prepaid tuition plan, though you are generally guaranteed a certain rate of return or that a

certain amount of tuition expenses will be covered in the future. And with a college savings plan, you may be able to choose your investment portfolio at the time you join the plan, but your ability to make subsequent investment changes is limited. Some plans may let you direct future contributions to a new investment portfolio, but it may be more difficult to redirect your existing contributions. However, states have the discretion to allow you to change the investment option for your existing contributions once per calendar year or when you change the beneficiary. Check the rules of your plan for more details.

In the area of taxes, 529 plans trump mutual funds. The federal income tax treatment of 529 plans is a real benefit. You don't pay federal income taxes each year on the earnings within the 529 plan. And any withdrawals that you use to pay qualified higher education expenses will not be taxed on your federal income tax return. (But if you withdraw money for noneducational expenses, you'll owe income taxes on the earnings portion of the withdrawal, as well as a 10 percent federal penalty)

Tax-sheltered growth and tax-free withdrawals can be compelling reasons to invest in a 529 plan. In many cases, these tax features will outweigh the benefits of mutual funds. This is especially true when you consider how far taxes can cut into your mutual fund returns. You'll pay income tax every year on the income earned by your fund, even if that income is reinvested. And when you sell your shares, you'll pay capital gains tax on any gain in the value of your fund.

Custodial accounts

A custodial account holds assets in your child's name. A custodian (this can be you or someone else) manages the account and invests the money for your child until he or she is no longer a minor (18 or 21 in most states). At that point, the account terminates and your child has complete control over the funds. Many college-age children can handle this responsibility, but there's still a risk that your child might not use the money for college. But you don't have to worry about this with a 529 plan because you, as the account owner, decide when to withdraw the funds and for what purpose.

A custodial account is not a tax-deferred account. The investment earnings on the account will be taxed to your child each year. Under special rules commonly referred to as the "kiddie tax" rules, children are generally taxed at their parent's (presumably higher) tax rate on any unearned income over a certain amount. This amount is currently $1,900 (the first $950 is tax free

and the next $950 is taxed at the child's rate). The kiddie tax rules apply to: (1) those under age 18, (2) those age 18 whose earned income doesn't exceed one-half of their support, and (3) those ages 19 to 23 who are full-time students and whose earned income doesn't exceed one-half of their support. The kiddie tax rules significantly reduce the tax savings potential of custodial accounts as a college savings strategy. Remember that earnings from a 529 plan will escape federal income tax altogether if used for qualified higher education expenses; the state where you live may also exempt the earnings from state tax.

But a custodial account might appeal to you for some of the same reasons as regular mutual funds. Though the funds must be used for your child's benefit, custodial accounts don't impose penalties or restrictions on using the funds for noneducational expenses. Also, your investment choices are virtually unlimited (e.g., stocks, mutual funds, real estate), allowing you to be as aggressive or conservative as you wish. As discussed, 529 plans don't offer this degree of flexibility.

Note: Custodial accounts are established under either the Uniform Transfers to Minors Act (UTMA) or the Uniform Gifts to Minors Act (UGMA). The two are similar in most ways, though an UTMA account can stay open longer and can hold certain assets that an UGMA account can't.

Finally, there is the issue of fees and expenses. Depending on the financial institution, you may not have to pay a fee to open or maintain a custodial account. But generally you can count on incurring at least some type of fee with a 529 plan. College savings plans may charge an annual maintenance fee, an administrative fee, and an investment fee based on a percentage of total account assets, while prepaid tuition plans typically charge an enrollment fee and various administrative fees.

Trusts

Though trusts can be relatively expensive to establish, there are two types you may want to investigate further:

Irrevocable trusts: You can set up an irrevocable trust to hold assets for your child's future education. This type of trust lets you exercise control over the assets through the trust agreement. However, trusts can be costly and complicated to set up, and any income retained in the trust is taxed to the trust itself at a potentially high rate. Also, transferring assets to the trust may have negative gift tax consequences. A 529 plan avoids these drawbacks but still gives you some control.

2503 trusts: There are two types of trusts that can be established under Section 2503 of the Tax Code: the 2503c "minor's trust" and the 2503b "income trust." The specific features and tax consequences vary depending on the type of trust that is used, and the details are beyond the scope of this discussion. Suffice it to say that either type of trust is much more costly and complicated to establish and maintain than a 529 plan. In most cases, a 529 plan is a better way to save for college.

Note: *Investors should consider the investment objectives, risks, charges, and expenses associated with 529 plans before investing. More information about specific 529 plans is available in the issuer's official statement, which should be read carefully before investing. Also, before investing, consider whether your state offers a 529 plan that provides residents with favorable state tax benefits.*

Advantages and Disadvantages of Self-Employment

You've grown tired of commuting to a job where you sit in a cubicle and do someone else's bidding. You've got a better idea, you can build a better mousetrap, you know you have the knack for being in the right place at the right time, and so you're thinking of self-employment. But how do you determine if this is a pipe dream or an idea worth pursuing?

Can you handle it?

Whether you're running your own business or working as an independent contractor, you'll soon realize that working for yourself isn't just another job, it's a way of life.

Are you someone who likes a nine-to-five routine and collecting a regular paycheck? When you're self-employed, you must be willing to make sacrifices for the sake of the job. You're going to work long hours, which means that you won't have as much time as you used to for family or leisure activities. And if the cash flow becomes a trickle, you're going to be the last one to get paid.

Can you get along well with all types of people? Being self-employed is all about managing relationships--with your clients or customers, your suppliers, perhaps with your employees, certainly with your family, and probably with your banker, lawyer, and accountant, too. If you're the type who wants to be alone to do the few things that you're good at, then you should do that--for someone else.

Are you a disciplined self-starter? Being self-employed means that you're your own boss. There may be days when you'll have to make yourself sit at

your desk instead of going for a long lunch, or (especially if you work out of your home) place those business calls instead of reading the newspaper.

Finally, do you enjoy wearing many hats? Depending on your line of work, you may be involved in handling marketing and sales duties, financial planning and accounting responsibilities, administrative and personnel management chores--or all of the above.

Your dream come true

Think about how great it will feel to get paid to do what you'd love to do anyway. If you're working for yourself, chances are you'll be doing work that you enjoy. You'll get to pick who you'll work for or with, and in most cases you'll work with your customers or clients directly--no go-betweens muddying the waters. As a result, you may have days when it hardly feels as if you're working at all. Such harmony between your working life and the rest of your life is what attracted you to self-employment in the first place.

Being your own boss means that you'll be in control of all of the decisions affecting your working life. You'll decide on your business plan, your quality assurance procedures, your pricing and marketing strategies--everything. You'll have job security; you can't be fired for doing things your way. As you perform a variety of tasks related to your work, you'll learn new skills and broaden your abilities.

You'll even have the flexibility to decide your own hours of operation, working conditions, and business location. If you're working out of your home, your start-up costs may be reduced. You'll also experience lower operating costs; after all, you'll be paying for the rent and utilities anyway. If the location of your work isn't important (perhaps you're a freelance writer or a consultant), you can live wherever you want. At any rate, if you work at home, you'll greatly reduce your daily commuting time and expense.

If all goes well and you're making money, chances are you can make more than you did working for someone else. And since you're working for yourself, you may not have to share the proceeds with anyone else. The fruits of your labor will be all yours, because you own the vineyard.

On the other hand . . .

When you're self-employed, particularly if you're starting your own business, you may have to take on a substantial financial risk. If you need to raise additional money to get started, you may need a cosigner or collateral (such as your home) for a loan. Depending on how much or little work you can line up, you may find that your cash flow varies from a flood to a trickle. You'll

need a cash backup so you can pay your bills while you're waiting for business to come in or waiting to be paid for completed work. Since you'll have to pay your own creditors first, this means that sometimes you may eat cereal instead of steak.

Remember that you're not making any money if you're not working. You don't have any employer benefit package, which means that it's going to be hard for you to go on vacation, take a day off, or even stay home sick without losing income. It also means that you'll have to provide your own health insurance and retirement plan. Remember, too, that you can choose your clients or customers, but you can't control their expectations or actions. If you don't come through for them, or if you do something that offends them, you might not get paid for your work.

Because you're working for yourself, you're going to have to take care of everything yourself, from figuring your taxes to watering the office plants. You'll probably need some new skills, such as bookkeeping and filing quarterly taxes. You can learn to do these things yourself--many software programs are designed just for this market--or you can hire others (e.g., an accountant) to take care of them for you. If you're not careful, however, you may find that you're spending more time on the business of being in business for yourself than you are on the work that attracted you to self-employment in the first place.

The bottom line

If you can work long and hard, tolerate risk and stress, cope well with potential disaster and failure, and work well alone and with others, then perhaps self-employment is right for you. If not, then perhaps you should keep that job in the cubicle.

Retirement Planning: The Basics

You may have a very idealistic vision of retirement--doing all of the things that you never seem to have time to do now. But how do you pursue that vision? Social Security may be around when you retire, but the benefit that you get from Uncle Sam may not provide enough income for your retirement years. To make matters worse, few employers today offer a traditional company pension plan that guarantees you a specific income at retirement. On top of that, people are living longer and must find ways to fund those additional years of retirement. Such eye-opening facts mean that today, sound retirement planning is critical.

But there's good news: Retirement planning is easier than it used to be, thanks to the many tools and resources available. Here are some basic steps to get you started.

Determine your retirement income needs

It's common to discuss desired annual retirement income as a percentage of your current income. Depending on who you're talking to, that percentage could be anywhere from 60 to 90 percent, or even more. The appeal of this approach lies in its simplicity. The problem, however, is that it doesn't account for your specific situation. To determine your specific needs, you may want to estimate your annual retirement expenses.

Use your current expenses as a starting point, but note that your expenses may change dramatically by the time you retire. If you're nearing retirement, the gap between your current expenses and your retirement expenses may be small. If retirement is many years away, the gap may be significant, and projecting your future expenses may be more difficult.

Remember to take inflation into account. The average annual rate of inflation over the past 20 years has been approximately 2.6 percent. (Source: Consumer price index (CPI-U) data published annually by the U.S. Department of Labor, 2011.) And keep in mind that your annual expenses may fluctuate throughout retirement. For instance, if you own a home and are paying a mortgage, your expenses will drop if the mortgage is paid off by the time you retire. Other expenses, such as health-related expenses, may increase in your later retirement years. A realistic estimate of your expenses will tell you about how much yearly income you'll need to live comfortably.

Calculate the gap

Once you have estimated your retirement income needs, take stock of your estimated future assets and income. These may come from Social Security, a retirement plan at work, a part-time job, and other sources. If estimates show that your future assets and income will fall short of what you need, the rest will have to come from additional personal retirement savings.

Figure out how much you'll need to save

By the time you retire, you'll need a nest egg that will provide you with enough income to fill the gap left by your other income sources. But exactly how much is enough? The following questions may help you find the answer:

- At what age do you plan to retire? The younger you retire, the longer your retirement will be, and the more money you'll need to carry you through it.
- What is your life expectancy? The longer you live, the more years of retirement you'll have to fund.
- What rate of growth can you expect from your savings now and during retirement? Be conservative when projecting rates of return.
- Do you expect to dip into your principal? If so, you may deplete your savings faster than if you just live off investment earnings. Build in a cushion to guard against these risks.

Build your retirement fund: Save, save, save

When you know roughly how much money you'll need, your next goal is to save that amount. First, you'll have to map out a savings plan that works for you. Assume a conservative rate of return (e.g., 5 to 6 percent), and then determine approximately how much you'll need to save every year between now and your retirement to reach your goal.

The next step is to put your savings plan into action. It's never too early to get started (ideally, begin saving in your 20s). To the extent possible, you may want to arrange to have certain amounts taken directly from your paycheck and automatically invested in accounts of your choice (e.g., 401(k) plans, payroll deduction savings). This arrangement reduces the risk of impulsive or unwise spending that will threaten your savings plan--out of sight, out of mind. If possible, save more than you think you'll need to provide a cushion.

Understand your investment options

You need to understand the types of investments that are available, and decide which ones are right for you. If you don't have the time, energy, or inclination to do this yourself, hire a financial professional. He or she will explain the options that are available to you, and will assist you in selecting investments that are appropriate for your goals, risk tolerance, and time horizon. Note that many investments may involve the risk of loss of principal.

Use the right savings tools

The following are among the most common retirement savings tools, but others are also available.

Employer-sponsored retirement plans that allow employee deferrals (like 401(k), 403(b), SIMPLE, and 457(b) plans) are powerful savings tools. Your

contributions come out of your salary as pretax contributions (reducing your current taxable income) and any investment earnings are tax deferred until withdrawn. These plans often include employer-matching contributions and should be your first choice when it comes to saving for retirement. 401(k), 403(b) and 457(b) plans can also allow after-tax Roth contributions. While Roth contributions don't offer an immediate tax benefit, qualified distributions from your Roth account are federal income tax free.

IRAs, like employer-sponsored retirement plans, feature tax deferral of earnings. If you are eligible, traditional IRAs may enable you to lower your current taxable income through deductible contributions. Withdrawals, however, are taxable as ordinary income (unless you've made nondeductible contributions, in which case a portion of the withdrawals will not be taxable).

Roth IRAs don't permit tax-deductible contributions but allow you to make completely tax-free withdrawals under certain conditions. With both types, you can typically choose from a wide range of investments to fund your IRA.

Annuities are contracts issued by insurance companies. Annuities are generally funded with after-tax dollars, but their earnings are tax deferred (you pay tax on the portion of distributions that represents earnings). There is generally no annual limit on contributions to an annuity. A typical annuity provides income payments beginning at some future time, usually retirement. The payments may last for your life, for the joint life of you and a beneficiary, or for a specified number of years (guarantees are subject to the claims-paying ability of the issuing insurance company). Annuities may be subject to certain charges and expenses, including mortality charges, surrender charges, administrative fees, and other charges.

Note: In addition to any income taxes owed, a 10 percent premature distribution penalty tax may apply to distributions made from employer-sponsored retirement plans, IRAs, and annuities prior to age 59½ (prior to age 55 for employer-sponsored retirement plans in some circumstances).

Understanding Long-Term Care Insurance

It's a fact: People today are living longer. Although that's good news, the odds of requiring some sort of long-term care increase as you get older. And as the costs of home care, nursing homes, and assisted living escalate, you probably wonder how you're ever going to be able to afford long-term care. One solution that is gaining in popularity is long-term care insurance (LTCI).

What is long-term care?

Most people associate long-term care with the elderly. But it applies to the ongoing care of individuals of all ages who can no longer independently perform basic activities of daily living (ADLs)--such as bathing, dressing, or eating--due to an illness, injury, or cognitive disorder. This care can be provided in a number of settings, including private homes, assisted-living facilities, adult day-care centers, hospices, and nursing homes.

Why you need long-term care insurance (LTCI)

Even though you may never need long-term care, you'll want to be prepared in case you ever do, because long-term care is often very expensive. Although Medicaid does cover some of the costs of long-term care, it has strict financial eligibility requirements--you would have to exhaust a large portion of your life savings to become eligible for it. And since HMOs, Medicare, and Medigap don't pay for most long-term care expenses, you're going to need to find alternative ways to pay for long-term care. One option you have is to purchase an LTCI policy.

However, LTCI is not for everyone. Whether or not you should buy it depends on a number of factors, such as your age and financial circumstances. Consider purchasing an LTCI policy if some or all of the following apply:

- You are between the ages of 40 and 84
- You have significant assets that you would like to protect
- You can afford to pay the premiums now and in the future
- You are in good health and are insurable

How does LTCI work?

Typically, an LTCI policy works like this: You pay a premium, and when benefits are triggered, the policy pays a selected dollar amount per day (for a set period of time) for the type of long-term care outlined in the policy.

Most policies provide that certain physical and/or mental impairments trigger benefits. The most common method for determining when benefits are payable is based on your inability to perform certain activities of daily living (ADLs), such as eating, bathing, dressing, continence, toileting (moving on and off the toilet), and transferring (moving in and out of bed). Typically, benefits are payable when you're unable to perform a certain number of ADLs (e.g., two or three).

Some policies, however, will begin paying benefits only if your doctor certifies that the care is medically necessary. Others will also offer benefits

for cognitive or mental incapacity, demonstrated by your inability to pass certain tests.

Comparing LTCI policies

Before you buy LTCI, it's important to shop around and compare several policies. Read the Outline of Coverage portion of each policy carefully, and make sure you understand all of the benefits, exclusions, and provisions. Once you find a policy you like, be sure to check insurance company ratings from services such as A. M. Best, Moody's, and Standard & Poor's to make sure that the company is financially stable.

When comparing policies, you'll want to pay close attention to these common features and provisions:

- Elimination period: The period of time before the insurance policy will begin paying benefits (typical options range from 20 to 100 days). Also known as the waiting period.
- Duration of benefits: The limitations placed on the benefits you can receive (e.g., a dollar amount such as $150,000 or a time limit such as two years).
- Daily benefit: The amount of coverage you select as your daily benefit (typical options range from $50 to $350).
- Optional inflation rider: Protection against inflation.
- Range of care: Coverage for different levels of care (skilled, intermediate, and/or custodial) in care settings specified in policy (e.g., nursing home, assisted living facility, at home).
- Pre-existing conditions: The waiting period (e.g., six months) imposed before coverage will go into effect regarding treatment for pre-existing conditions.
- Other exclusions: Whether or not certain conditions are covered (e.g., Alzheimer's or Parkinson's disease).
- Premium increases: Whether or not your premiums will increase during the policy period.
- Guaranteed renewability: The opportunity for you to renew the policy and maintain your coverage despite any changes in your health.
- Grace period for late payment: The period during which the policy will remain in effect if you are late paying the premium.
- Return of premium: Return of premium or nonforfeiture benefits if you cancel your policy after paying premiums for a number of years.
- Prior hospitalization: Whether or not a hospital stay is required before you can qualify for LTCI benefits.

When comparing LTCI policies, you may wish to seek assistance. Consult a financial professional, attorney, or accountant for more information.

What's it going to cost?

There's no doubt about it: LTCI is often expensive. Still, the cost of LTCI depends on many factors, including the type of policy that you purchase (e.g., size of benefit, length of benefit period, care options, optional riders). Premium cost is also based in large part on your age at the time you purchase the policy. The younger you are when you purchase a policy, the lower your premiums will be.

Funding a Buy-Sell Agreement with Life Insurance

As a partner or co-owner (private shareholder) of a business, you've spent years building a valuable financial interest in your company. You may have considered setting up a buy-sell agreement to ensure your surviving family a smooth sale of your business interest and are looking into funding methods. One of the first methods you should consider is life insurance. The life insurance that funds your buy-sell agreement will create a sum of money at your death that will be used to pay your family or your estate the full value of your ownership interest.

How funding with life insurance works

When using life insurance with a buy-sell agreement, either the company or the individual co-owners buy life insurance policies on the lives of each co-owner (but not on themselves). If you were to die, the policyowners (the company or co-owners) receive the death benefits from the policies on your life. That money is paid to your surviving family members as payment for your interest in the business. If all goes well, your family gets a sum of cash they can use to help sustain them after your death, and the company has ensured its continuity.

Advantages of using life insurance

- Life insurance creates a lump sum of cash to fund the buy-sell agreement at death
- Life insurance proceeds are usually paid quickly after your death, ensuring that the buy-sell transaction can be settled quickly
- Life insurance proceeds are generally income tax free; a C corporation may be subject to the alternative minimum tax (AMT)
- If sufficient cash values have built up within the policies, the funds can be accessed to purchase your business interest following your retirement or disability

Disadvantages of using life insurance

- Life insurance premiums are paid with after-tax dollars because the premiums are generally not a tax-deductible expense
- Premium requirements are an ongoing expense
- One or more co-owners may be uninsurable due to age or illness
- If the co-owners' ages vary widely, younger co-owners will have to pay higher premiums on the lives of the older co-owners
- If the ownership percentages vary widely, more insurance will be needed to cover the owners with the larger ownership interests, resulting in higher premium costs for those with smaller ownership interests

How to set up different types of buy-sell agreements

In an entity purchase buy-sell agreement, the business itself buys separate life insurance policies on the lives of each of the co-owners. The business usually pays the annual premiums and is the owner and beneficiary of the policies.

In a cross purchase buy-sell agreement, each co-owner buys a life insurance policy on each of the other co-owners. Each co-owner usually pays the annual premiums on the policies they own and are the beneficiaries of the policies. If your company has a large number of co-owners, multiple policies must be purchased by each co-owner.

A wait and see (or hybrid) buy-sell agreement allows you to combine features from both the entity purchase and cross purchase models. The business can buy policies on each co-owner, the individual co-owners can buy policies on each other, or a mixture of both methods can be used.

The buy-sell agreement should be fully funded

The amount of insurance coverage on your life should equal the value of your ownership interest. Then, when you die, there will be enough cash from the policy proceeds to pay your family or estate in full for your share of the business. But if all that is affordable is insurance coverage for a portion of your interest, you might want to go ahead and fund that amount. Later, the company may be able to increase the amount of insurance or use additional funding methods. In the meantime, the agreement should specify how your family or estate will be paid.

The value of the business could change over time

What if the insurance proceeds turn out to be less than the value of your business interest, due to growth in the business? Your surviving family members might end up getting less than full value for your business

interest. Your buy-sell agreement should specify how the valuation difference will be handled.

Conversely, the insurance proceeds might be greater than the value of your business interest when you die. Your buy-sell agreement should address this potential situation upfront and specify whether the excess funds will belong to the business, the surviving co-owners, or your family or estate.

Should group life insurance be used?

Using a company's group life insurance plan to fund a buy-sell agreement is generally not recommended. Normally, group life insurance premiums are tax deductible to the company. But premiums are no longer deductible if the business is the beneficiary.

Possible negative tax consequences

- For policies issued after August 16, 2006, the death benefits of life insurance on the life of an employee payable to the employer/policy owner may be subject to income taxes unless an exception applies.
- Assume your business is a corporation or is taxed as one. When one of your co-owners dies, his or her estate becomes the owner of the insurance policies covering you and the other co-owners of the business in a cross purchase agreement. If these policies are then transferred to the surviving co-owners to pay for future buyouts, a transfer-for-value (gain) may occur, and a portion of the proceeds received from the transferred policies may be taxable.
- If a policy is canceled (surrendered) for cash to buy out your interest while you are living, any gain on the policy is subject to federal income tax for the policyowner. Gain includes all policy loans outstanding at the time of surrender. Also, the policy may carry surrender charges.
- The proceeds received by a C corporation under an entity purchase agreement may be subject to the AMT.

Keeping track of your buy-sell agreement

Each year, the premiums on the policies must be paid, or the insurance will lapse. So monitor premium payments carefully. Your buy-sell agreement should include a feature requiring ongoing proof of payment. Also, review the amount of insurance regularly. The insurance coverage may have to be increased periodically to reflect increases in the value of the business. If additional insurance is not possible, another funding method should be established. Finally, periodically check the financial rating of your insurance company. The policies funding your buy-sell agreement will do your family no good if the insurer becomes insolvent.

Caring for Your Aging Parents

Caring for your aging parents is something you hope you can handle when the time comes, but it's the last thing you want to think about. Whether the time is now or somewhere down the road, there are steps that you can take to make your life (and theirs) a little easier. Some people live their entire lives with little or no assistance from family and friends, but today Americans are living longer than ever before. It's always better to be prepared.

Mom? Dad? We need to talk

The first step you need to take is talking to your parents. Find out what their needs and wishes are. In some cases, however, they may be unwilling or unable to talk about their future. This can happen for a number of reasons, including:

- Incapacity
- Fear of becoming dependent
- Resentment toward you for interfering
- Reluctance to burden you with their problems

If such is the case with your parents, you may need to do as much planning as you can without them. If their safety or health is in danger, however, you may need to step in as caregiver. The bottom line is that you need to have a plan. If you're nervous about talking to your parents, make a list of topics that you need to discuss. That way, you'll be less likely to forget anything. Here are some things that you may need to talk about:

- Long-term care insurance: Do they have it? If not, should they buy it?
- Living arrangements: Can they still live alone, or is it time to explore other options?
- Medical care decisions: What are their wishes, and who will carry them out?
- Financial planning: How can you protect their assets?
- Estate planning: Do they have all of the necessary documents (e.g., wills, trusts)?
- Expectations: What do you expect from your parents, and what do they expect from you?

Preparing a personal data record

Once you've opened the lines of communication, your next step is to prepare a personal data record. This document lists information that you might need

in case your parents become incapacitated or die. Here's some information that should be included:

- Financial information: Bank accounts, investment accounts, real estate holdings
- Legal information: Wills, durable power of attorneys, health-care directives
- Funeral and burial plans: Prepayment information, final wishes
- Medical information: Health-care providers, medication, medical history
- Insurance information: Policy numbers, company names
- Advisor information: Names and phone numbers of any professional service providers
- Location of other important records: Keys to safe-deposit boxes, real estate deeds

Be sure to write down the location of documents and any relevant account numbers. It's a good idea to make copies of all of the documents you've gathered and keep them in a safe place. This is especially important if you live far away, because you'll want the information readily available in the event of an emergency.

Where will your parents live?

If your parents are like many older folks, where they live will depend on how healthy they are. As your parents grow older, their health may deteriorate so much that they can no longer live on their own. At this point, you may need to find them in-home health care or health care within a retirement community or nursing home. Or, you may insist that they come to live with you. If money is an issue, moving in with you may be the best (or only) option, but you'll want to give this decision serious thought. This decision will impact your entire family, so talk about it as a family first. A lot of help is out there, including friends and extended family. Don't be afraid to ask.

Evaluating your parents' abilities

If you're concerned about your parents' mental or physical capabilities, ask their doctor(s) to recommend a facility for a geriatric assessment. These assessments can be done at hospitals or clinics. The evaluation determines your parents' capabilities for day-to-day activities (e.g., cooking, housework, personal hygiene, taking medications, making phone calls). The facility can then refer you and your parents to organizations that provide support.

If you can't be there to care for your parents, or if you just need some guidance to oversee your parents' care, a geriatric care manager (GCM) can

also help. Typically, GCMs are nurses or social workers with experience in geriatric care. They can assess your parents' ability to live on their own, coordinate round-the-clock care if necessary, or recommend home health care and other agencies that can help your parents remain independent.

Get support and advice

Don't try to care for your parents alone. Many local and national caregiver support groups and community services are available to help you cope with caring for your aging parents. If you don't know where to find help, contact your state's department of eldercare services. Or, call (800) 677-1116 to reach the Eldercare Locator, an information and referral service sponsored by the federal government that can direct you to resources available nationally or in your area. Some of the services available in your community may include:

- Caregiver support groups and training
- Adult day care
- Respite care
- Guidelines on how to choose a nursing home
- Free or low-cost legal advice

Once you've gathered all of the necessary information, you may find some gaps. Perhaps your mother doesn't have a health-care directive, or her will is outdated. You may wish to consult an attorney or other financial professional whose advice both you and your parents can trust.

Organizing Your Finances When Your Spouse Has Died

Losing a spouse is a stressful transition. And the added pressure of having to settle the estate and organize finances can be overwhelming. Fortunately, there are steps you can take to make dealing with these matters less difficult.

Notify others

When your spouse dies, your first step should be to contact anyone who is close to you and your spouse, and anyone who may help you with funeral preparations. Next, you should contact your attorney and other financial professionals. You'll also want to contact life insurance companies, government agencies, and your spouse's employer for information on how you can file for benefits.

Get advice

Getting expert advice when you need it is essential. An attorney can help you go over your spouse's will and start estate settlement procedures. Your funeral director can also be an excellent source of information and may help you obtain copies of the death certificate and applications for Social Security and veterans benefits. Your life insurance agent can assist you with the claims process, or you can contact the company's policyholder service department directly. You may also wish to consult with a financial professional, accountant, or tax advisor to help you organize your finances.

Locate important documents and financial records

Before you can begin to settle your spouse's estate or apply for insurance proceeds or government benefits, you'll need to locate important documents and financial records (e.g., birth certificates, marriage certificates, life insurance policies). Keep in mind that you may need to obtain certified copies of certain documents. For example, you'll need a certified copy of your spouse's death certificate to apply for life insurance proceeds. And to apply for Social Security benefits, you'll need to provide birth, marriage, and death certificates.

Set up a filing system

If you've ever felt frustrated because you couldn't find an important document, you already know the importance of setting up a filing system. Start by reviewing all important documents and organizing them by topic area. Next, set up a file for each topic area. For example, you may want to set up separate files for estate records, insurance, government benefits, tax information, and so on. Finally, be sure to store your files in a safe but readily accessible place. That way, you'll be able to locate the information when you need it.

Set up a phone and mail system

During this stressful time, you probably have a lot on your mind. To help you keep track of certain tasks and details, set up a phone and mail system to record incoming and outgoing calls and mail. For phone calls, keep a sheet of paper or notebook by the phone and write down the date of the call, the caller's name, and a description of what you talked about. For mail, write down whom the mail came from, the date you received it, and, if you sent a response, the date it was sent.

Also, if you don't already have one, make a list of the names and phone numbers of organizations and people you might need to contact, and post it near your phone. For example, the list may include the phone numbers of

your attorney, insurance agent, financial professionals, and friends--all of whom you can contact for advice.

Evaluate short-term income and expenses

When your spouse dies, you may have some immediate expenses to take care of, such as funeral costs and any outstanding debts that your spouse may have incurred (e.g., credit cards, car loan). Even if you are expecting money from an insurance or estate settlement, you may lack the funds to pay for those expenses right away. If that is the case, don't panic--you have several options. If your spouse had a life insurance policy that named you as the beneficiary, you may be able to get the life insurance proceeds within a few days after you file. And you can always ask the insurance company if they'll give you an advance. In the meantime, you can use credit cards for certain expenses. Or, if you need the cash, you can take out a cash advance against a credit card. Also, you can try to negotiate with creditors to allow you to postpone payment of certain debts for 30 days or more, if necessary.

Avoid hasty decisions

- Don't think about moving from your current home until you can make a decision based on reason rather than emotion.
- Don't spend money impulsively. When you're grieving, you may be especially vulnerable to pressure from salespeople.
- Don't cave in to pressure to sell or give away your spouse's possessions. Wait until you can make clear-headed decisions.
- Don't give or loan money to others without reviewing your finances first, taking into account your present and future needs and obligations.