

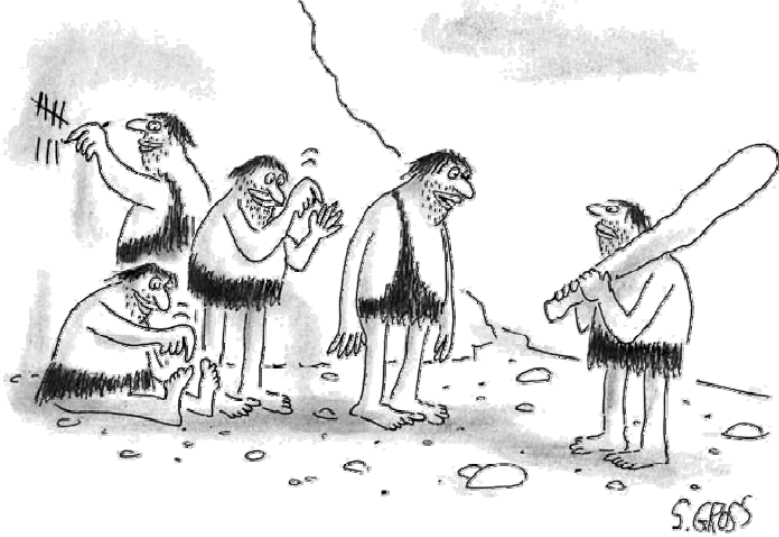
Wealthy and Wise!™

The Tax Pro Family Letter

Volume IV, Issue 2

Your Monthly Schooling Of Insider Tips On Wealthy and Wise Living

October 2010



"We are neither hunters nor gatherers. We are accountants."

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* "Back To School" *

Referral Contest ...

It's Almost Over! (keep 'em coming!)

"Hey, we started this last month, and just wanted to give you one last shot...the deadline is coming up fast! Don't miss it..." :)

Not to add anything to your plate, but...

Want \$100.00?

Whichever one of our clients sends us the most number of referrals **by having them call our office by September 15th**, we'll give you a crisp \$100 bill to thank you! So while you're

WE THANK YOU!

We're honored by our clients that graciously refer their friends, neighbors and family our way so they too can save money on taxes.

We'd like to give special thanks to our Valued Clients!...

Dustin Kay

No Annoying Tax Professional Lingo ... Just Straight, Easy-To-Understand And Follow Expert Advice!

Inside The Mind of Your Tax Professional...

Back To School ... For Tax & Accounting Pros (Like Us)

By Terry Smith

This year has brought so many changes to the tax code—and so many changes which are still pending (like the expiration of the "Bush Tax Cuts")—that we're already in full "education" mode to be ready. And we're training ourselves early to have our office running like a well-oiled machine when it really matters.

Some think we're a little bit *over-prepared*, but that's really how we like to do things around here...and it's why you've chosen to have us handle this most important of transactions.

This year, more than ever, it's just smart family policy to have a professional on your side. While I don't claim to be a political prognosticator, I will say that there's a buzz in the tax professional community about all of these changes, and there will be more to come. We may (or we may not) like what happens soon...but either way, it pays off to be prepared.

On to you...did you know that you can save a LOT of money from the grasping hands of the IRS (and a fair amount of hassle) by making plans NOW to determine your financial plan for the final quarter of this year? Some of you may not be planners, by nature, but we ARE...and we'd love to help! Call our office and set up a **tax planning consultation** ... you won't be sorry. (And feel free to pass this to your friends... **we'd be happy to allow this newsletter to serve as a gift certificate for a FREE Consultation for a first-time client!**)

Inside...

- *Family Finance Corner:* My Word To Students
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- Get (sort of) Rich (sort of) Quick
- **And More!**

We Love Our Clients and Friends...So This \$9.95 Newsletter is FREE!

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Family Finance Corner : College Kids Getting Sucked Dry By Credit Cards

(A word of encouragement by Terry Smith)

As we head into the “back to school” season, let’s have some straight talk about a serious problem for students: **credit card debt.**

If your credit card minimum payment was \$10 and you repaid it every month for 15 1/2 years with an accruing interest of 15.9%, a \$1,000 purchase would end up costing \$2,250. Every time you use your credit card to pay for something you risk it being marked up two and a half times the normal sales price. Over time, that \$10 T-shirt cost you \$22.50!

Whenever you use your credit card, imagine that two and a half times the price of what you are buying will be deducted from your account over the next decade.

Students assume that they can run up a credit card bill because it will be easy to pay it off after they graduate when they get a high paying job. But the larger your debt, the longer it takes to pay off that debt using minimum payments. The average student graduates with about \$7,000 in credit card debt. They assume that \$7,000 will be easily wiped away with their first high paying job.

Being burdened with \$7,000 in credit card debt after graduation costs nearly \$20,000 and can stretch nearly forty years to erase with minimum payments. Just when you should be saving and investing that \$20,000, growing rich or buying your own home you are stuck with unfinished and unneeded college debt.

Whenever you casually reach for your credit card during college, visualize the choice between having the down payment on owning your own home or making that purchase.

Studies have linked accumulating credit card debt to psychological stress that increases the likelihood of dropping out of school and suicide. Students find themselves ill-equipped to handle the anxiety of mounting collection agencies alongside their course of studies.

Studies have also shown that a college degree is worth over a million dollars in increased lifetime earnings. Don't sacrifice the million dollar benefits of an education on the frivolous purchases of a credit card.

Every time you reach for a credit card imagine that credit card hanging on your wall instead of your diploma. It could cost you a million dollars to frame it.

The years after college and before children are the best time in your life to save. But you lose time and squander your resources if you enter the marketplace with credit card debt.

Your high school and college years are the prime years for funding your Roth IRA. If you use a credit card but don't fully fund your Roth IRA each year you have a credit card problem. Unlike a traditional IRA, you contribute to a Roth IRA after taxes, it grows tax free, and then in retirement you can make tax free withdrawals. Because the money is contributed after taxes, it is best to fund an IRA while you are a poor college student working summers and part time and still in a low tax bracket.

Contributing \$2,000 a year to your Roth IRA during high school and college is better than starting to contribute during your first year after college and continuing for the remainder of your life.

Every seven years you wait to fund your Roth IRA you cut in half the standard of living you will have in your retirement. With normal market returns, after seven years of \$2,000 a year contributions your Roth IRA will be appreciating at a rate of more than \$2,000 a year, without any additional contributions. At normal market rates of return, that \$14,000 contribution during high school and college will ultimately grow to more than \$2 million dollars by age 67 and more than \$4 million dollars by age 73.

Whenever you look at prices in a store or restaurant, imagine taking the decimal out in front of the cents. That is how much tax free income you are losing in retirement by not contributing to your Roth IRA. And by age 85 you could add another zero. The \$8.50 lunch costs you \$850 at age 63 and \$8,500 by age 85.

If you don't think you have any problems with your use of credit cards, but you haven't been saving and fully funding your Roth IRA, you have a problem with your use of credit cards.

Every time you go to use your credit card ask yourself if you've fully funded your Roth IRA for the year. If you haven't, put the credit card right back in your wallet.

All debt is not equal. Credit card debt is bad debt. Student loans are good debt. Good debt is anything that lasts longer than it does to pay the loan back. Good debt is investing in things that will pay you more money than the debt costs. An education is good debt because it will increase your income, satisfaction in life, and longevity.

Credit card debt is bad debt. **Bad debt is anything that you can wear, eat or drink.** Always pay cash for these items. If you do, what you wear, eat and drink will be healthier and less expensive. The next time you pull out your credit card for any of these items imagine wearing, eating or drinking \$20 dollar bills. Alternately, just leave your credit card locked in your dorm room. **Life's too short to let it get sucked dry by credit cards.**

For Managers: Before You Promote, Read This

You've got an employee with promise, but you don't want to promote him or her prematurely. Consider these issues before making a decision:

- **Is the person prepared for the new job?** Managers often reward hard work and enthusiasm by placing someone in a job without the proper training.
- **Does the person even want the job?** Some workers like to submit ideas but don't want to be responsible for carrying them out. Others will jump at the chance to move up the ladder.
- **What do your fellow managers think?** Get some feedback on your idea before you act. Your colleagues may ask questions you haven't raised.
- **What does the employee want in a career?** Some want to advance for the money, others because they're seeking additional responsibility. Know the reasons why people want to move into new positions.

Make your decision with care. There's not much worse than promoting someone to a job when they aren't qualified to do it, then attempting to return to the way things were before the promotion.

Thoughts For October

"Not everything that counts can be counted. Not everything that can be counted counts."

—Albert Einstein

"Avoiding danger is no safer in the long run than outright exposure. The fearful are caught as often as the bold."

—Helen Keller

Get (sort of) Rich (sort of) Quick

Need to make some extra cash? You probably won't get rich with these money-generating ideas, but you can take the results to the bank (even if it's only your piggy bank):

- **Sell photos to stock photo websites.** Stock photography sites offer generic photos of landscapes, animals, and other nonspecific subjects to designers and publishers. Go through your travel photos or your pictures of Fluffy and Fido and then check out sites like istockphoto.com and shutterstock.com.
- **Sell your books.** Go through your bookshelves. Are you hanging on to your old college textbooks? Are you really going to read *A Tale of Two Cities* ever again? You can sell books online or at any local second-hand bookshop.
- **Sign up for consumer focus groups.** Corporations and nonprofits doing market research need opinions from regular people. Make yourself available for focus groups, and you could earn \$50 to \$100 or so for an hour or two of sharing your thoughts and reactions to ideas.
- **Sell your unused gift cards.** Maybe you have a gift card from a store that doesn't have any outlets in your area. Selling it online can help someone else and can add money to your pocket that you wouldn't see otherwise.

Always Question The Premise...

After World War II, Gen. Dwight D. Eisenhower served for a time as president of Columbia University. According to one story, a committee of faculty members once asked him to issue a rule prohibiting students from walking on the grass in the main quadrangle.

Before issuing a statement, he asked, "Why do they walk on the grass?"

"Because it's the shortest way to the central hall from the main entrance," the committee answered.

"If that's the way they are going to go," he said, "then cut a pathway there."

Eisenhower understood that telling people what not to do isn't always the best course of action.

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The Family Letter of Tax Pro

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**YOUR MONTHLY
NEWSLETTER IS
ENCLOSED**

Inside October's Issue...

- **My Personal Note:** *My Staff And I Go Back To School Too!*
- *Family Finance Corner:* My Word To Students
- *Promotion Questions To Ask Before You Jump*
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- **And More!**

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so please make a copy and pass it to your next-door neighbor at the*

Creating The Life Of Your Dreams

Are you doing what you really want to do with your life? If not, you might want to try doing the following creative thinking exercises to help you sculpt your life ever closer to the fantasy life you hold in your head.

Get a piece of paper and make a list of all the things you want to do during your lifetime—no matter how crazy or undoable some of those things might seem. If you want to go on an African safari and become a famous gorilla researcher, then write it down. If you want to sip coffee at a Left Bank café in Paris, then by all means, put it on your list.

Include all the seemingly mundane things you want to do, too. Do you want to spend more time with your children, your spouse, or your parents? Write it down. Don't hold back. Be as wild and daring as you want to be. Let yourself dream big.

Once you have finished the above exercise (and not necessarily in the same sitting) take another piece of paper and ask yourself, "If I had a million dollars in the bank that was exclusively for me—and I had no responsibilities and knew I would not need the money in the future—how would I choose to spend a perfect day?" Maybe you want to write a novel, talk to a friend, or own a ranch and raise goats. Whatever it is, write out your perfect sort of day. These are not necessarily the big event things you want to experience, but your idea of your perfect day of living. Again, don't hold back.

People are often surprised at how powerful these two exercises are. How do they help you? They help you know what your big dreams are. They help you see clearly what your priorities are. And they help you see how far away from or close to your dreams and perfect daily existence you are. And once you know that you can lay out a plan that lets you use your precious time for what you really want in life.

Labor Day EXCLUSIVE!

7 Small Business Owners

(only)

Can "Magically" Erase

Tax, Bookkeeping or

Accounting Problems—

FREE!

*For First Seven(7) Small Businesses That
Quickly Digest Their Labor Day Burgers*

Grab Their Phone and Call Us Now!

Our "Post-Labor Day" Gift To

You...

We're Rocking and Rolling Getting Ready For TY2010, But We Do Have Time To Quickly and Easily "Fix" Any QuickBooks or Bookkeeping System. This Exclusive 1-Hour Books Review will solve your bookkeeping headaches and get you ready for 2011 for