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Callahan Financial monthly information Newsletter.

Please enjoy and if it spurs questions, we would love to help answer them for you.

Share this with your friends, family and co-workers. Ultimately, we would love to work with them too:)

December 2014

Callahan Financial Newsletter

Keeping you current

Four Questions to Ask Before You Open Your Wallet

Even if you have the best of intentions, it's easy to overspend. According to a Gallup poll conducted June 9-15, 2014,* 58% of people who had shopped during the previous four weeks said they spent more at the store than they originally intended to. Even if you're generally comfortable with how much you spend, you may occasionally suffer from a case of buyer's remorse or have trouble postponing a purchase in favor of saving for a short- or long-term goal. Here are a few key questions to consider that might help you fine-tune your spending.

How will spending money now affect me later?

When you're deciding whether to buy something, you usually focus on the features and benefits of what you're getting, but do you think about what you're potentially forgoing? When you factor this into your decision, what you're weighing is known as the opportunity cost. For example, let's say you're trying to decide whether to buy a new car. If you buy the car, will you have to give up this year's family vacation to Disney World? Considering the opportunity cost may help you evaluate both the direct and indirect costs of a purchase.

Some other questions to ask:

- How will you feel about your purchase later? Tomorrow? Next month? Next year?
- Will this purchase cause stress or strife at home? Couples often fight about money because they have conflicting money values. Will your spouse or partner object to your purchasing decision?
- Are you setting a good financial example? Children learn from what they observe. What messages are you sending through your spending habits?

Why do I want it?

Maybe you've worked hard and think you deserve to buy something you've always wanted. But are you certain that you're not being unduly influenced by other factors such as stress or boredom?

Take a moment to think about what's important to you. Comfort? Security? Safety? Status? Quality? Thriftiness? Does your purchase align with your values, or are you unconsciously allowing other people (advertisers, friends, family, neighbors, for example) to influence your spending?

Do I really need it today?

Buying something can be instantly and tangibly gratifying. After all, which sounds more exciting: spending $1,500 on the ultra-light laptop you've had your eye on or putting that money into a retirement account? Consistently prioritizing an immediate reward over a longer-term goal is one of the biggest obstacles to saving and investing for the future. The smaller purchases you make today could be getting in the way of accumulating what you'll need 10, 20, or 30 years down the road.

Be especially wary if you're buying something now because "it's such a good deal." Take time to find out whether that's really true. Shop around to see that you're getting the best price, and weigh alternatives--you may discover a lower-cost product that will meet your needs just as well. If you think before you spend money, you may be less likely to make impulse purchases, and more certain that you're making appropriate financial choices.

Can I really afford it?

Whether you can afford something depends on both your income and your expenses. You should know how these two things measure up before making a purchase. Are you consistently charging purchases to your credit card and carrying that debt from month to month? If so, this may be a warning sign that you're overspending. Reexamining your budget and financial priorities may help you get your spending back on track.

**Source: American Consumers Careful With Spending in Summer 2014, www.gallup.com.*

Helping Your Parents Manage Their Finances

Postponing a discussion about helping a parent with his or her finances increases the odds that problems could arise before that discussion takes place.

As the U.S. population gets older, more people, particularly baby boomers, are confronting a dilemma. As parents age, their ability to manage their own finances may decline. That can make it more likely that they may neglect the life savings they've worked so hard to accumulate or make costly mistakes with them. Even worse, they're more likely to fall victim to one of the fraudulent schemes that frequently target seniors. "Financial Fraud and Fraud Susceptibility in the United States," a September 2013 report prepared for the FINRA Investor Education Foundation, found that seniors were 34% more likely to lose money to fraudsters than were those in their 40s.

And yet many seniors, especially those who have always been independent and/or money-savvy, may be reluctant to accept advice or help from their children, or even discuss living expenses, health care plans, investments, or general estate planning. Sadly, postponing that discussion can increase the difficulty of tackling whatever problems may eventually arise.

What's behind parental reluctance?

Suggesting that parents might benefit from assistance, either from their children or a professional, may remind them of their own mortality. People are living longer; if they're still active and involved, they may have difficulty accepting that their current good health and financial comfort may not always continue.

Also, some seniors may be reluctant to discuss finances because it can reinforce a sense of loss; this could be especially true if they can no longer drive or participate in activities they enjoy. Admitting that they need help with financial issues may make them feel as though one more area is no longer under their control. If this is the case, they might respond to the idea that addressing important issues now--planning for ill health or an incapacity--could give them greater decision-making power over their quality of life later.

Parents also may be uncomfortable discussing finances with only one child, preferring to involve all siblings. In this case, you may need to either try to reach a consensus about which child is best equipped to help, or divide responsibilities among siblings. For example, one child might assist with billpaying and day-to-day expenses while another reviews investments or handles health insurance, Medicare, and Social Security.

In some cases, parents may respond to the idea that taking action sooner rather than later can help prevent the loss of much of their hard-earned savings to taxes or scams. If they're uncomfortable discussing finances with you, you could suggest working with a third party who can review their situation and make recommendations that could then be discussed jointly.

When to offer help

Here are some signs that a parent might need some assistance: confusion about whether direct-mail offers are advertising or bills; failing to pay bills or file documents properly, especially if someone has always been highly organized; complaints about being unable to make ends meet; talking about the merits of certain investments, especially unfamiliar ones and especially if a parent hadn't previously exhibited much interest in investing; unusual behavior, such as making unexpected large purchases or spending a lot of time gambling.

Be sure to rule out other physical problems, such as an infection or difficulties with vision or hearing, before assuming that mental confusion is automatically a sign of dementia.

A start is better than nothing

If parents are reluctant to discuss specific figures, try to make sure that key information, including online account information and passwords, is on paper, and that someone else knows the location of those items and will be able to access them if necessary.

You might start providing assistance in stages. Offer to review checking account statements and/or credit card bills to ensure they're not paying for services they want to cancel or didn't request; this may give you insight into the overall state of their finances. Because seniors may be more willing to discuss issues such as health insurance and preferences regarding long-term care or end-of-life decisions before other topics, building trust in these areas could increase comfort levels on both sides with other matters.

If a trust has been set up, a trustee might be the logical person to handle finances, since he or she may eventually have to deal with trust-related issues anyway. The same is true for someone who has been granted a durable power of attorney, even if he or she doesn't yet have full responsibility for managing finances. And in a worst-case scenario, children can petition a probate court to name a conservator or guardian. Whatever approach you take, one of the key challenges of this process is to respect a parent's dignity while protecting his or her ongoing well-being.

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Tips for Stress-Free Travel This Holiday Season

Last year, over 94 million Americans were expected to travel during the year end holiday season (Source: American Automobile Association, 2013/2014 Year-End-Holidays Travel Forecast, December 2013).

It's that time of year again--the dreaded holiday travel season. And while overcrowded airports, train stations, and roads, combined with the possibility of inclement weather, can be a recipe for disaster, there are some steps you can take to make traveling this holiday season a bit easier.

Pre-trip planning

- *Travel "off-peak."* There will always be certain days and/or times that are busier than others during the holiday season. As a result, you may want to avoid peak travel times, such as the day before Thanksgiving. By adjusting your holiday travel schedule by just one day or even a few hours, you might face fewer crowds and decrease your travel time.
- *Consider an alternate route.* If you are traveling by car, consider taking a longer, less-traveled scenic route to circumvent areas where traffic is usually heaviest. If you are flying, avoid travel hubs with the most air traffic. Instead, try searching nearby, smaller airports to see whether they offer flights to your destination. Smaller airports may offer cheaper flights and often have fewer delays and less traffic to and from the airport. You can also try researching whether your airline or flight is usually on time or late by checking its on-time performance.
- *Check in or print out boarding passes/tickets beforehand.* Today, many airlines and train companies have streamlined the boarding/ticketing process. If you're flying, you may be able to select your seats and complete the check-in process at home. If you're traveling by train, consider purchasing your tickets online and printing your ticket vouchers before arriving at the station.

On the day of travel

- *Travel lightly.* Most airlines and trains have restrictions on the number of carry-on or check-in luggage passengers can bring. As a result, only bring necessities and try to avoid overpacking for your trip. In addition, consider ordering any holiday gifts online and mailing them ahead of time instead of bringing them with you.
- *Leave early.* Whether you are heading to the airport or train station or making the trip by car, avoid the long lines and traffic by leaving as early as possible on your scheduled day of travel. If you're worried about waiting around the airport or train station for too long, bring your laptop or extra reading material to keep yourself occupied.
- *Have a plan B.* Whether it's changing your travel route to avoid traffic congestion or dealing with a flight delay and missed connection, you'll want to be prepared to make adjustments to your travel plan. Having an alternative plan in place can make it easier to deal with any travel glitches that may arise when you travel.
- *Keep essential items on hand.* Keep copies of your travel itinerary, necessary photo identification (e.g., driver's license, passport), and medications on your person in case your luggage is lost or delayed while en route to your destination. You'll also want to make sure that you have plenty of snacks and beverages to help tide you over if you are stuck in traffic or your train or flight is delayed. Make sure that your electronic devices (e.g., laptop, phone, e-reader) are fully charged and bring chargers so you can plug in, if necessary, at the airport or train station. And if you are traveling with kids, be sure to bring along plenty of toys/games to keep them occupied.
- *Stay connected.* Whether it's real-time traffic updates or information on flight or train departures and arrivals, there are numerous mobile apps that can help make travel more efficient. Traveling by air? Check with your airline to see if you can sign up for flight status updates that go directly to your phone. If you're heading on a road trip, check with each state's highway authority to see which ones provide mobile traffic updates.
- *Be prepared for the worst.* It's important to remember that even the most well-thought out travel plans may not proceed without a hitch. A nasty nor'easter, air-traffic controller strike, or even just bad luck could disrupt your travel plans. The key is to stay calm and be prepared for the inevitable travel mishap. In the end, you will eventually reach your destination and celebrate the holiday season with family and friends.

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How can college students save and spend money wisely?

College is a pivotal time in a young adult's life. Students gain a sense of independence that is accompanied by responsibility--especially when it comes to finances. If you're a new college student, it can be overwhelming to figure out how to save and spend money wisely. However, if you take time to plan, you won't have to worry about spending money carelessly. And your parents will be glad to avoid desperate pleas for cash over the phone.

It may be helpful to review campus resources ahead of time so you can eliminate items that you don't necessarily need to bring with you to school. Why bring your car and pay for an expensive parking pass if you can use free public transportation? Similarly, it might make more sense to borrow textbooks from your university's library or rent them rather than fork over the dough to buy pricey books you'll use for a single semester.

Next, establish a monthly budget. Track your expenses for a month to determine where most of your money is going, then look for the areas where you need to reevaluate your spending. For example, you may be spending too much on take-out when you already have a prepaid meal plan at your school. Take advantage of your plan and put that money toward something else in your budget like clothing or entertainment.

What if you have excess cash? Set aside a few dollars each week to create an emergency fund. Over time, that money could accumulate, and you never know when it might come in handy.

But if you still find yourself strapped for cash, most college campuses offer a variety of part-time jobs that are designed to fit into a student's busy schedule. Ask about a job the next time you go to the gym for a workout or the dining hall for a meal. Or you can use your school's career service website to browse work-study options available on campus. As long as you're aware of what's available to you, you'll be better informed to make wise money decisions, which enables you to focus on making the most of this chapter in your academic career.

Is it possible to accidentally disinherit my heirs?

Yes. One of the most tragic estate planning mistakes is unintentionally disinheriting an heir. Here are some of the most common ways this unfortunate situation can occur.

One cause of accidental disinheritance may be the simplest: failure to make a will. In this case, property generally passes according to the intestacy laws of the state in which you're "domiciled," and these laws vary widely from state to state. For example, if you are married and have children, state intestacy law might leave one-third or one-half of your estate to your spouse and the balance to your children. This may or may not be what you would have wanted.

Making an ineffective or faulty will can also result in misdirected allocations. For example, you may fail to provide for children born after you make your will (this is what happened to Anna Nicole Smith and Heath Ledger). The lesson here is to forgo the do-it-yourself kit and hire an estate planning attorney to draft and execute your will, which should be reviewed every year or two.

Failing to update your will can also result in allocations that are made according to an old will. This can lead to unwanted allocations (for example, the effective disinheritance of children when Mom or Dad remarries and everything passes to the new spouse). Make it a rule to review and update your will periodically, especially after major life events such as marriage, a birth or adoption, divorce, or a death in the family. Also consider updating beneficiary designations (for life insurance policies, retirement accounts, payable on death accounts, etc.) annually. And remember that beneficiary designations trump provisions made in your will.

A fourth cause of accidental disinheritance is what's known as "ademption." This is the failure of a specific bequest made in a will because the property no longer exists in the decedent's estate for some reason. For example, you might leave your car to your son in your will, and then sell or gift it to someone else before you die. A similar situation can occur when a life insurance policy is allowed to lapse (so check your policies and don't forget to make the premium payments).