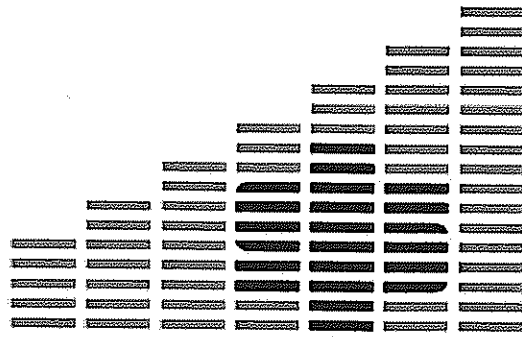


Navigating Your Financial Waters

**Helping you take control
of your financial life.**



**FOUNDATION FOR
FINANCIAL PLANNING**

WHAT IS FINANCIAL PLANNING ANYWAY?

Let's say your boss assigns you a task. How would you go about accomplishing it? Would you:

1. Determine what goals must be achieved in what time frame, study current conditions, review available resources, plan a sequence of actions to achieve the goals, and then execute the plan?
2. Move forward with no clear goals or time frame, no idea of what the conditions are, or what resources are available to you, no plan what to do next, and just hope things will be okay?

Now let's say your task is to buy a house, or send your kids to college, or to retire comfortably. How would you go about accomplishing these? Let's face it. Most of us tend to go with option 2.

This is where financial planning comes in useful. "Financial Planning" may sound like something for people with a lot of money or for big time stock and bond investors, the wealthy. But it's not. Financial planning is about life. It is determining your goals and figuring out how to use the financial resources you have in order to reach your goals. It is about accomplishing your tasks.

Financial planning is about more than investing. It's about managing your life!

- Controlling spending
- Increasing savings
- Managing credit
- Reducing taxes
- Paying for college
- Buying a house
- Protecting family & assts with insurance
- Retiring comfortably
- Estate Planning

THE FINANCIAL PLANNING PROCESS

Just as there are systematic steps for planning a task, there are systematic steps for planning your finances. It's not something you're born with, it's something you can train to do and do well. Here is one system adapted from the way a professional Certified Financial Planner® works:

- 1 GATHER INFORMATION** Pull out your earning statements, your bank statements, credit card bills, mortgage papers, credit report, everything that has anything to do with your income, spending and debts. Study the current economic environment. Also think about your personal situation - where you and your family are in life, what life events are coming your way, and what your money habits are.
- 2 DETERMINE YOUR GOALS** Now think about where you want your life to go short term, say one to five years, and long term, from six years to forever. Be specific in terms of what you want by when. "I want to buy a house" or "I want to be rich" are nit goals, they are daydreams. "I want to save \$20,000 as a down payment for a house in three years" is a goal. And write down your goals - that makes them more real.
- 3 ASSESS THE SITUATION** Now look at the information you gathered with a critical eye. How does your income compare to your spending? What are you spending your money on? Are you saving enough? Do you have too much debt, or the wrong kind of debt? Are you insured against the risks you face? Here it can be useful to draw up a spending plan, which lists all your income and expenses, or a net worth calculation.
- 4 CREATE AN ACTION PLAN** Take your analysis of where you are, compare it to your goals describing where you want to go, and figure out how to get from point A to point B. Create a new spending plan that embodies better spending and savings habits. Decide which credit cards or loans to keep and which to pay off. Choose savings and insurance products. You may have to revise your goals if they are unrealistic.

5 EXECUTE THE PLAN A plan that isn't executed is useless. Draw up a time table – do this in week one, and that in week two – and stick to it.

6 MONITOR THE PLAN As you follow your plan, keep an eye on changing circumstances and make adjustments as needed. A new job may let you boost your savings rate. An unexpected crisis may force you to push back some goals. Changing family circumstances may create new goals or make old goals irrelevant. And especially check to see if unnoticed bad habits are pulling you off course.

A BASIC FINANCIAL PLANNING STARTER KIT

Everybody is different so every financial plan will be different, but most well-rounded plans will contain some common elements. What are some of the basic building blocks? Here's a suggested Financial Planning Starter Kit to get you going in the right direction.

CALCULATE YOUR NET WORTH

Just like a corporation, you should have a balance sheet that calculates how much you're worth. Do it each year and you'll see where you're headed. List your **ASSETS** (money in the bank, investments, and real property like your house or your car, etc.), then list your **LIABILITIES** (money you owe like your credit card balance, mortgage balance, bill and taxes due). **ASSETS minus LIABILITIES equals NET WORTH.**

BUILD AN EMERGENCY FUND

Try to keep on hand enough easily-accessible funds to cover for three to six months of essential payments (food, rent or mortgage, insurance premiums, etc.). No one knows what could happen tomorrow – a broken refrigerator, a job loss, a hurricane. An emergency fund could be the difference between whether the emergency is a just a headache or a major crisis.

CREATE A SPENDING AND SAVINGS PLAN

Take out your bank statements, check book and credit card bills. List all your income and expenses. Study your expenses – you may be surprised how little things can add up. Now that you know how the money comes and goes, choose where to spend and where not to spend. Tip 1: think of savings as a bill you have to pay regularly. Tip 2: involve your whole family because every one has to live with the plan.

GET KEY ESTATE PLANNING DOCUMENTS

- Will – make sure the right people get your possessions when you are gone
- Financial Power of Attorney – appoint someone to take care for your finances when you can't
- Living Will – declare what life-saving measures can be taken should you be incapacitated
- Health Care Power of Attorney – name someone to look after your medical care when you can't

MANAGE YOUR CREDIT

Know what you owe. List all of your debts. Include on the list the name of the lender, the outstanding balance, the interest rate, and whether the interest is tax deductible (like a mortgage). How big a chunk of your income goes to debt payments – too much? Now work to reduce your debt – usually it's best to start with the highest-interest-rate loans. And get your credit report and check it for errors.

GET ESSENTIAL INSURANCE COVERAGE

If you get sick, suffer an accident, suffer property damage or die, you (or your survivors) may take a bad financial hit. The right insurance can soften the blow – health, disability, auto, homeowners' or renters' and life insurance to start. That's a lot, so figure which are essential (if you're single and have no kids, do you really need life insurance?), but get what you need to protect yourself and your family.

Now add some goals and an action plan to achieve them, and you'll be well on the way to taking control of your financial future!

FAMILY BALANCE SHEET

ASSETS	
Checking account (1)	\$
Checking account (2)	\$
Savings account (1)	\$
Savings account (2)	\$
Emergency fund	\$
Cash Value of Life Insurance	\$
Retirement account (1)	\$
Retirement account (2)	\$
Investment account (1)	\$
Investment account (2)	\$
Value of Home	\$
Value of Car(s)	\$
Other Assets	\$
Other Assets	\$
Other Assets	\$
Other Assets	\$
TOTAL ASSETS	\$

LIABILITIES	
Amount Owed on Mortgage	\$
Amount Owed on Car(s)	\$
Credit Card Balances	\$
Other Bank Loans	\$
Finance Company Loans	\$
Insurance Loans	\$
Taxes Owed	\$
Other Debts	\$
Other Debts	\$
Other Debts	\$
Other Debts	\$
TOTAL LIABILITIES	\$

NET WORTH CALCULATION	
Value of Assets	\$
Minus Value of Liabilities	\$
NET WORTH	\$

FINANCIAL GOALS WORKSHEET

GOALS FOR 1 YEAR FROM TODAY	Dollars needed	Savings target
1.	\$	\$ per month
2.	\$	\$ per month
3.	\$	\$ per month
4.	\$	\$ per month
GOALS FOR 2 YEARS FROM TODAY	Dollars needed	Savings target
1.	\$	\$ per month
2.	\$	\$ per month
3.	\$	\$ per month
4.	\$	\$ per month
GOALS FOR 5 YEARS FROM TODAY	Dollars needed	Savings target
1.	\$	\$ per month
2.	\$	\$ per month
3.	\$	\$ per month
4.	\$	\$ per month
GOALS FOR 10 YEARS FROM TODAY	Dollars needed	Savings target
1.	\$	\$ per month
2.	\$	\$ per month
3.	\$	\$ per month
4.	\$	\$ per month



SPENDING PLAN – CURRENT

Get out your pay stubs, checkbooks, credit card and bank statements, and write down how much you make and how much you spend now each week, month and/or year – to the penny!

INCOME	PER MONTH	WITHHOLDINGS	PER MONTH
Salary1	\$	Federal Tax	\$
Salary2	\$	State Tax	\$
Commissions	\$	Social Sec./Medicare	\$
Social Security	\$	Other	\$
Other	\$	Total Income	\$
Other	\$	Total Withholdings	\$
Other	\$	SPENDABLE INCOME	\$

A "must" expense is something you must pay each month .. or else

MUST EXPENSES	PER MONTH		PER MONTH
Home: mortgage/rent	\$	Insurance: life	\$
property tax	\$	disability	\$
insurance	\$	liability	\$
electric/gas	\$	other	\$
water/sewer	\$	Debts: credit card 1	\$
telephone	\$	credit card 2	\$
maintenance	\$	credit card 3	\$
other	\$	other	\$
Car: loan payment	\$	Savings: emergency	\$
insurance	\$	education	\$
gas/oil	\$	retirement	\$
maintenance	\$	Daily: groceries	\$
other	\$	child care	\$
Medical: insurance	\$	other	\$
doctor/dentist	\$	other	\$
prescriptions	\$	other	\$
other	\$	TOTAL "MUSTS"	\$

A "want" expense is something that makes life better but isn't truly necessary. You can be flexible – some people would say charity or pets are "musts" – but don't put everything you like into the "must" list

WANT EXPENSES	\$		PER MONTH
Cable TV	\$	Gifts	\$
Dining out	\$	Allowances	\$
Hobbies/Clubs	\$	Other	\$
Vacation	\$	Other	\$
Pet care	\$	Other	\$
Charity	\$	TOTAL "WANTS"	\$

If expenses are greater than income, you need to make changes – starting with a new spending plan.

SPENDABLE INCOME	\$
LESS TOTAL MUST AND WANT EXPENSES	\$
MONTHLY SURPLUS OR DEFICIT	\$

SPENDING PLAN – FUTURE

Write down where you want to direct your spending – cut back on what's not important so that you can spend more on what is important. Do this periodically, especially if your financial situation changes.

INCOME	PER MONTH	WITHHOLDINGS	PER MONTH
Salary1	\$	Federal Tax	\$
Salary2	\$	State Tax	\$
Commissions	\$	Social Sec./Medicare	\$
Social Security	\$	Other	\$
Other	\$	Total Income	\$
Other	\$	Total Withholdings	\$
Other	\$	SPENDABLE INCOME	\$

"Must" expenses are difficult to eliminate, but you may be able to reduce them. A different insurer or a smaller house may help, but these are big decisions that require care. The best way – get rid of that debt!

MUST EXPENSES	PER MONTH		PER MONTH
Home: mortgage/rent	\$	Insurance: life	\$
property tax	\$	disability	\$
insurance	\$	liability	\$
electric/gas	\$	other	\$
water/sewer	\$	Debts: credit card 1	\$
telephone	\$	credit card 2	\$
maintenance	\$	credit card 3	\$
other	\$	other	\$
Car: loan payment	\$	Savings: emergency	\$
insurance	\$	education	\$
gas/oil	\$	retirement	\$
maintenance	\$	Daily: groceries	\$
other	\$	child care	\$
Medical: insurance	\$	other	\$
doctor/dentist	\$	other	\$
prescriptions	\$	other	\$
other	\$	TOTAL "MUSTS"	\$

You don't have to cut out all "wants" – but you should pick and choose what's truly important to you

WANT EXPENSES	\$		\$
Cable TV	\$	Gifts	\$
Dining out	\$	Allowances	\$
Hobbies/Clubs	\$	Other	\$
Vacation	\$	Other	\$
Pet care	\$	Other	\$
Charity	\$	TOTAL "WANTS"	\$

SPENDABLE INCOME	\$
LESS TOTAL MUST AND WANT EXPENSES	\$
MONTHLY SURPLUS OR DEFICIT	\$

Managing Your

Debt

&

Credit

worksheet: how to get your bills under control

BECOME MASTER OF ALL THAT YOU PAY FOR—and when you pay for it. *Real Simple's* reporters called various credit-card companies and service providers and learned that about half the time, billing due dates can be changed for your convenience, which means you can spread out your check writing or do it in one fell swoop. For instance, American Express Green Card billing cycles are based on your application date, but you can change your due date to any day of the month you like. Use this chart as a handy guide to your bills, and update the monthly due dates as you arrange your new schedule.

	Customer-Service Number	Current Monthly Due Date	New Monthly Due Date
Bank credit cards	() —		
	() —		
	() —		
	() —		
	() —		
	() —		
Store credit cards	() —		
	() —		
	() —		
	() —		
Home telephone	() —		
Cellular phone	() —		
Internet service	() —		
Cable TV	() —		
Electricity	() —		
Gas/oil	() —		
Water	() —		
Loan payment	() —		
Mortgage payment	() —		
Car payment	() —		
Car insurance	() —		
Health insurance	() —		
Life insurance	() —		
Homeowner's insurance	() —		
Other	() —		
	() —		
	() —		
	() —		
	() —		
	() —		
	() —		
	() —		

Stop the Junk Mail

Just say no—it works. Take these easy steps and you'll see less of it.

- The Credit Reporting Industry Pre-Screening Opt-Out hotline (888-567-8688) removes your contact information from the lists for preapproved-credit-card solicitations of four major credit bureaus. (The hotline is recommended on the Federal Trade Commission's website and has been cited by *Consumer Reports*.)

- Sign up with the Direct Marketing Association's Mail Preference Service and in about three months you'll see a decrease in direct-mail marketing. Register by mail (Mail Preference Service, Direct Marketing Association, P.O. Box 643, Carmel, NY 15012) or online (www.dmaconsumers.org).

- Whenever possible, withhold your contact information if it's asked for, and always request that your information not be sold to other companies. Contact your bank and credit-card companies and make sure that your name is removed from any shared mailing lists.

DEBT MANAGEMENT PLAN

List all of your creditors, the amount owed to each, the interest rates, and monthly minimum payments.

CREDITOR	TOTAL OWED	INTEREST RATE	MINIMUM PAYMENT
1.	\$	%	\$
2.	\$	%	\$
3.	\$	%	\$
4.	\$	%	\$
5.	\$	%	\$
6.	\$	%	\$
7.	\$	%	\$
8.	\$	%	\$
9.	\$	%	\$
10.	\$	%	\$
TOTAL	\$		\$

Re-order your debts by importance – one good way is from highest to lowest interest rate.

CREDITOR	TOTAL OWED	INTEREST RATE	MINIMUM PAYMENT
1.	\$	%	\$
2.	\$	%	\$
3.	\$	%	\$
4.	\$	%	\$
5.	\$	%	\$
6.	\$	%	\$
7.	\$	%	\$
8.	\$	%	\$
9.	\$	%	\$
10.	\$	%	\$
TOTAL	\$		\$

Now decide on a repayment plan. One tactic is to attack the debt with the highest interest rate, repaying as much as you can each month until it's gone while paying monthly minimums on the rest. Then attack the debt with the next highest rate. But other tactics may suit your individual circumstances better.

THE KEY TO SUCCESS – DON'T BUILD UP NEW DEBTS WHILE PAYING OFF OLD ONES!

CREDITOR	REPAY JUST THE MINIMUM, or	REPAY MORE THAN MINIMUM
1.	\$	\$
2.	\$	\$
3.	\$	\$
4.	\$	\$
5.	\$	\$
6.	\$	\$
7.	\$	\$
8.	\$	\$
9.	\$	\$
10.	\$	\$
TOTAL MONTHLY REPAYMENT (Put this into your spending plan!)	\$	\$

Credit Scores: Why Should I Care?

It's not just banks and lenders that rely on credit scores to help make important credit decisions. Landlords, employers, insurance companies, and even cell phone and other utility companies all reportedly utilize credit scores to help determine their business and credit relationships with consumers. This means that your credit is the most important component of your entire financial portfolio. Because of this, monitoring and managing your FICO score is vital, especially if you're looking to buy or refinance a home anytime in the near future.

The FICO scoring system was created in the 1960s by Fair Isaac Corporation and has been the standard for lenders since the 1980s. FICO credit scores typically range between a low score of 350 and a high score of 850. Under the FICO system, securing credit becomes less expensive for borrowers with higher scores (those who represent the least risk) and more expensive for borrowers with lower scores (those who represent the most risk). In fact, when it comes to a mortgage, a lower credit score could easily cost a consumer hundreds of thousands of dollars more in interest throughout the life of the loan, compared to the same loan with a higher score.

FICO Scores	APR	Monthly Payment
760-850	5.751%	\$1,751
700-759	5.973%	\$1,793
660-699	6.257%	\$1,849
620-659	7.067%	\$2,009
580-619	9.165%	\$2,449
500-579	10.194%	\$2,676

Source: Myfico.com (30 year fixed-rate mortgage on \$300,000)

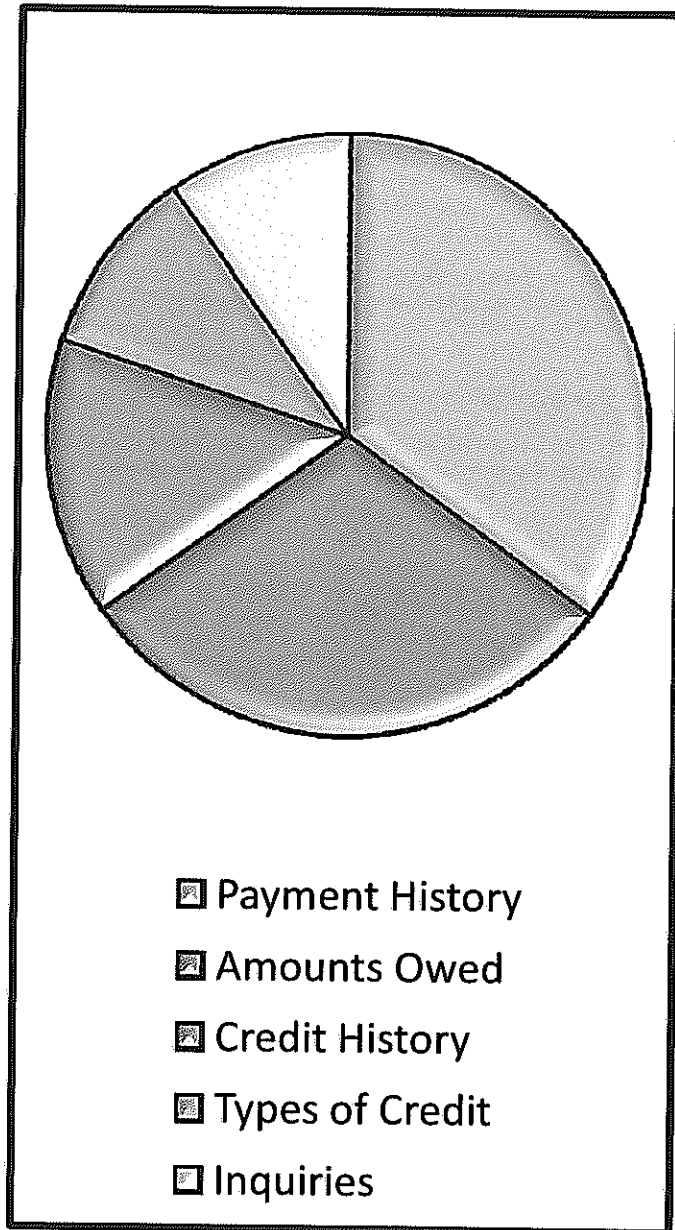
The above chart from MyFico.com clearly reveals the relationship between higher FICO scores and lower interest rates and monthly mortgage payments. According to Experian®, one of the three main credit bureaus in the US, FICO scores also accurately reflect “the likelihood of a borrower becoming delinquent on a loan or credit obligation in the future.” In other words, the FICO scoring model looks to the past to “predict” the future risk a borrower represents to a bank or lender, and then prices the loan accordingly.

Not long ago, a FICO score of 680 was pretty good. In a tough credit market like today's, a 680 could be devastating to the bottom line of consumers looking to buy or refinance a home. In fact, thanks to Loan Level Price Adjustments (LLPA) from Fannie Mae and Freddie Mac, having less than a 720 in today's credit environment will cost you big: up to a 2% increase in your interest rate!

LLPAs are mandatory surcharges based strictly on credit scores. They are additional fees paid to Fannie Mae or Freddie Mac, not your mortgage professional. Analysts suggest that imposing these “penalties” is a blatant effort to recoup – and to help lessen further losses – on foreclosures. The surcharge could mean thousands of dollars for borrowers who do not monitor and maintain a good credit rating.

If you're thinking about buying, selling, or refinancing a home, you have to be credit ready. Give us a call today for a free credit consultation. We'll pull your credit and see where you stand. Remember, effective credit repair, if necessary, could take up to 3–6 months, so act now and be credit ready in no time.

The Five Identified Factors To Your Credit Score



- **35% - Payment History**
- **30% - Amounts Owed**
- **15% - Length of Credit History**
- **10% - Types of Credit in Use**
- **10% - Inquiries / New Credit**

7 Steps to Credit Restoration

Step 1. GET RID OF YOUR COLLECTION ACCOUNTS.

Pay off all collection accounts willing to withdraw reporting from credit bureaus. Request a letter stating their agreement to delete the account upon receipt of your payment.

Step 2. GET RID OF YOUR PAST DUE ACCOUNTS.

Past Dues destroy a credit score. Pay the creditor the past due amount reported immediately.

Step 3. GET RID OF YOUR CHARGEOFFS AND LIENS.

Charge offs and liens within the past 24 months severely damage your credit score. Pay the past due balances first, and then pay collection agencies that agree to remove all references to credit bureaus second.

Step 4. GET RID OF YOUR LATE PAYMENTS.

Request a good faith adjustment that removes the late payments. Persistence and politeness pays off in this scenario. If you are frustrated, rude, and unclear with your request, you are making it very difficult for them to help you.

Step 5. CHECK YOUR CREDIT LIMITS & EVENLY DISTRIBUTE THE BALANCES.

Make sure creditors report your credit limits accurately. Maximize your score without spending money by evenly distributing your credit card balances among all of your credit cards, rather than carry a large balance on one credit card.

Step 6. DO NOT CLOSE YOUR CREDIT CARDS.

The magic number of credit card accounts to have in order to enhance your score is between 3 and 5. If you have more than six department store cards, close the newest accounts. Otherwise, do not close any at all.

Step 7. KEEP YOUR OLD CREDIT CARDS ACTIVE.

Use cards once every 6 months. Closing those cards will decrease the average length of time you've had credit. The one thing all credit scores over 800 have in common is a credit card that is twenty years old or older.

7 Shortcuts for Major Money Hassles

1. Ace Your Retirement

By the time you're 65, you'll need to have socked away about \$25 for every dollar you expect to withdraw annually. That means that throughout your working life you must save. And save. And save. Oh, and don't forget picking investments and managing your portfolio year in, year out. Yet with one simple act, you can take care of all of that work.

The Easy Way: Buy a target-retirement fund in your 401(k). A 401(k) is nothing if not easy: Contributions come out of your paycheck before you can spend them. You don't owe taxes on the money you invest, and earnings grow tax deferred. Sign up and aim to save 10% to 15% of your salary (including the company match).

Target-retirement funds, which are becoming one of the most popular 401(k) choices, are the ultimate in hands-off investing. You simply pick a fund with a date that matches the year you plan to retire - 2010, 2020, 2030 - and you get a completely diversified mix of stocks and bonds that's appropriate for you. This no-brainer fund automatically shifts stock assets into bonds each year, becoming more conservative as you age.

A target-retirement fund is a case in which simpler is actually better. Sure, you can come up with a smart allocation and pick top funds, but 401(k) investors often do a lousy job at that. What these funds give you is a disciplined plan, the key to retirement success.

2. Invest (Almost) Like a Pro

You can put your investing strategy on autopilot with a target-retirement fund. But perhaps you want to manage your own portfolio. All it takes is a few hours a year with this two-step plan.

Step 1: Pick a mix First decide how you'll divvy up your money between stocks and bonds. You can use online tools to fine-tune a mix for your age and appetite for risk. But the easy way to decide how much you should devote to stocks is to subtract your age from 120. So if you're 40, put 80% of your long-term savings in stocks and 20% in bonds. If nothing else, this simple rule of thumb ensures that you'll own an ample amount of stock when you're young and can take more risk. Every year, subtract your age from 120 again and adjust the mix as needed.

Step 2: Buy index funds For an investment that doesn't require constant vigilance, the clear choice is an index fund. With a single fund, you can own virtually the entire stock or bond market.

No index fund will ever top the charts, but history suggests that over the long run they'll earn a better than

average return. You can build a perfectly adequate portfolio with just two funds: a total stock market index fund and a total bond market index fund, both of which you can find at Fidelity or Vanguard.

3. Cruise into College

Want to make college savings easy? Piece of cake. Use a state 529 savings plan. No need to select stocks, bonds or funds on your own and then deftly manage the money until your child enters school. Just pick a single age-based fund in a 529, and your work is pretty much done. This fund of funds will shift gradually from stocks to bonds as your kid nears school. Relax about taxes too. In a 529, earnings are tax-free as long as the money is used for college costs such as tuition or room and board. You don't need to remember to save either. Most 529s let you set up an automatic investment plan. The only decision is which 529 to choose.

The Easy Way: Pick the Utah plan If you don't have the time or inclination to sort through 529s, go straight to the Utah Educational Savings Plan (800-418-2551; uesp.org). With its selection of Vanguard index funds, it gives you age-based choices at rock-bottom prices. You'll have to select one of five different stock and bond allocations. If in doubt, stick with option two. One drawback: You may be giving up valuable state tax breaks.

Fairly Easy Way: Research your state plan In 28 states, you're entitled to a tax deduction or credit for money you put into your local 529. For your state's tax breaks and plan options, visit Savingforcollege.com. Stay with your state plan if you earn a generous tax break, you don't have to pay a sales charge to invest, and the plan's annual expenses are no more than 1% a year. If not, Utah's 529 remains your best bet.

4. Disaster Proof Your Family

Life throws you a curveball sometimes: cutbacks on the job, a roof that needs to be replaced. You can't completely insulate yourself from such shocks, but three straightforward steps will protect you against 90% of problems.

Step 1: Build an emergency fund Put aside at least three months' worth of living expenses in cash so you can get through a rough patch without having to borrow or dip into retirement savings (make that six months if your family relies on one wage earner). Two money-market funds that consistently pay high yields are TIAA-CREF Money Market Fund (TIAXX) and Vanguard Prime Money Market Fund (VMMXX).

Step 2: Buy life insurance With insurance, the simplest choice is also the best. In almost every case, term

insurance gives you the biggest death benefit for your premium. All you need to decide is how much and for how long. Buy life insurance equal to five to 10 times your annual salary. The more children you have, the more debt you carry and the longer your family will need help (until your kids are out of college, say), the closer you should be to the top end of that range. You can lock in your payment for 10 to 30 years, but for most new insurance buyers 20 years is about right. Go to QuickQuote.com or Insure.com to compare policy quotes from several insurers.

You also need disability insurance, which typically pays up to 60% of your salary if you can't work. But this policy virtually defies simplification. If you don't get adequate coverage on the job, you'll have to confer with an agent.

Step 3: Write a will You should have a will that, at minimum, appoints a guardian for your minor children, outlines how you want to divvy up your assets and names an executor. If you have an estate worth less than \$2 million and you're leaving almost everything to your spouse and kids, you can write it yourself by using off-the-shelf software like Quicken's *WillMaker Plus*. If your situation is complicated, spend about \$1,000 on a lawyer.

5. Protect Your Identity

There's no shortage of products promising to fend off identity theft. The easiest solution: Follow these three steps to lock up your data and keep tabs on your credit.

Step 1: Dry up junk mail Thieves use your pre-approved credit-card offers to open accounts in your name, which is the hardest type of ID theft to detect. Opt out of receiving the junk mail by calling 888-567-8688, a service run by the credit bureaus. Select option three to permanently remove your name from marketing lists (you can always opt in later).

Step 2: Go paperless Shredding will eliminate your paper trail. Even easier is to receive and pay bills online, which ensures that info can't be lifted from stolen mail. Plus, with 24-hour account access, you'll see an unauthorized charge on your card right away.

Step 3: Watch over your credit It's easy to request a free report from one of the big three bureaus every four months at AnnualCreditReport.com. Want more oversight? For \$5 a month, TripleAlert.com will monitor your credit and alert you to any changes. Even better is a credit freeze. Check to see if your state allows it. Some do only in cases only for ID theft victims.

6. Shop Smart for a Car

Buying a car can seem like a huge hassle, from figuring out what price you should pay to handling the hard sell on the dealer's lot. You can avoid the work in one of two ways.

The Easy Way: Hire a car buyer If you are willing to spend an extra \$400 to \$800, you can reduce the entire car buying experience to a couple of phone calls and one visit to the dealer to pick up the keys. Car buying services such as AutoAdvisor.com and CarQ.com will find the model you want, negotiate a competitive price and loan terms with the dealer and, in many cases, set up a test drive.

Almost as Easy: Buy online If you want to save as much money as you can, do it yourself. Even that doesn't have to be hard if you tap the Net. First go to Edmunds.com and use the True Market Value (TMV) tool to find out what people in your area are paying to drive your desired model off the lot. Aim to pay this price or less. You may also want to get pre-approved for a bank loan and ignore dealer financing until you have settled on a price.

Next solicit dealer offers online. At Edmunds.com (or Autobytel.com), you enter the model you want, your contact info and your zip code (or nearby ones), and within a few hours you'll get quotes by e-mail or phone. You should have an easier time haggling because the dealership's Internet department makes commissions based on volume, not the price. They won't waste time wheeling and dealing you.

7. Simplify Your Credit Life

Credit-card issuers relentlessly tempt you with new offers, even as they keep changing the terms of the cards you carry. All that makes it easy to end up with a wallet full of cards. While it's always good to have a backup for an emergency, sticking to one card will minimize the number of bills you pay and maximize your card rewards.

If you carry a balance: Get a low rate that lasts You'll find it easier to chip away at a balance if your interest rate is well below today's 14.1% average. A 0%-balance-transfer teaser is tempting, but you can owe fees as high as 4% of the balance. And if you can't pay it off within six or 12 months, you'll be left with the hassle of chasing the next offer. Skip the promo and opt for a low ongoing rate. The American Express Blue card (800-223-2670) charges 4.99% for the life of the balance you transfer.

If you pay in full: Get a rewards card you can really use If you don't carry a balance, make your No. 1 card a rewards card. You're squandering your spending power, though, if you earn miles when you rarely fly or you flit between two or three cards. Among today's best offers: The HSBC Direct Rewards card (800-975-4722) pays 5% cash back on gas, drugs and groceries, and 1% on all charges above \$3,000.

By Kate Ashford, Carolyn Bigda, George Mannes, Walter Updegrave and Penelope Wang

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