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Money Management

Should I Buy or Lease?

Car buyers typically start their search for the perfect vehicle by focusing on make, model, color, and price. However, there are often more choices to consider. The shopping experience may begin with the question, "Should I buy or should I lease?" Depending on your answer, there may be a substantial difference in what you will *get* for what you can *afford*. In addition, if you decide to buy, rather than lease, you have the added consideration of how to arrange financing.

Lease or Buy?

One basic difference between buying and leasing is that when you purchase a vehicle you pay to *own* it—whereas when you lease, you pay to *use* it, typically for two to three years. Leasing has become popular because, in comparison to buying, you get more vehicle for your money. Since you only pay a portion of the total value, you can expect to make a smaller monthly payment for a given vehicle or to drive a more expensive make or model for a given monthly payment. However, there are tradeoffs to consider.

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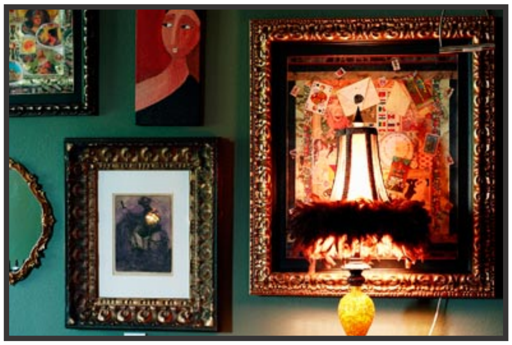
Valuation "Insures" Protection



Television shows featuring auctions and appraisal fairs have ushered the art of appraising into the limelight with fascinating stories—an ancient artifact unknowingly passed down from generation to generation, a rare trinket picked up at a yard sale, or an historic relic found tucked away in the corner of the attic. While appraisals occasionally lead to surprising discoveries, they more often play a key role in developing financial strategies.

Is *your* family heirloom a hidden treasure? If you know you own expensive items, such as antiques or artwork, or even think you might, consider having your valuables appraised for insurance, estate planning, and tax purposes.

A **certified appraisal** is an expert valuation of property. Appraisers, practitioners of valuation, are professionals trained to provide more than a guess at an object's worth; they assess value based on formal methodology and comply with standards and codes of conduct generally practiced in the

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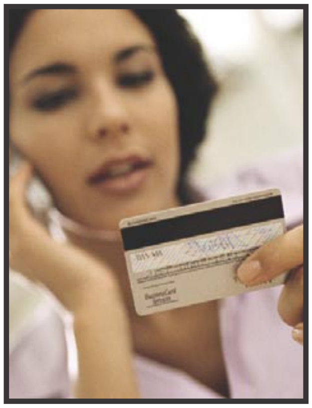
Credit Card Blues: Tips You Can Use

Credit card debt is a major problem in the United States. According to the Consumer Federation of America (2009), 80% of



all households have at least one credit card. With over one billion cards in circulation, the average household has about a dozen credit cards. For households that carry a balance, the average credit card debt is more than $10,000.

It is not uncommon or difficult for credit card use to get out of hand. In fact, our society promotes credit card use through incentive programs, loyalty programs, promotions, and advertising. Consequently, many consumers find themselves struggling to make even their minimum monthly payments. Regardless, new credit card offers arrive in the mail constantly, along with those checks inviting consumers to go ahead and "take that vacation" or "make those home improvements." At first, it may seem tantalizing. But buying regularly on credit can quickly become a vicious cycle, developing into the credit card blues.

Warning Signs

The following warning signs may be an indication of the credit card blues:

- You use credit cards to pay for basic needs, like food and gas.
- You are only able to pay the minimum balance due on your cards each month.
- You're paying above-average interest rates and can't find lower rates because of your credit score.
- You aren't able to contribute to a savings account or IRA.
- You don't know how much you charge or how much you owe.
- You lose sleep over your mounting debt.
- You transfer balances frequently to avoid credit card payments.

If any of these sound familiar, take heart—you are not alone! However, it's important that you take action now and create a plan to pay down your debt and avoid exacerbating the problem. You don't have to resign yourself to living with the credit card blues.

Getting Back on Your Feet

To begin, make and maintain a worksheet to track your credit card use. You may do this by hand, using different colored markers for different creditors, or on the computer—whatever feels most comfortable. On your worksheet, include the names of your creditors, the last date of each payment, the annual interest rates, the minimum monthly payments, and the total amounts due.

Follow these other simple steps to help you get back on your feet:

- Create a financial budget. Once you look at your expenses and figure out where all your money is going, you can look for areas where you can cut back, even temporarily, to free up some of your cash for credit card payments.
- Set up a repayment schedule and stick with it. Start paying the debts that carry the highest finance charges first.
- Don't charge any more until your present debts are under control.
- Reduce your finance charges by using cards with the lowest possible rates.
- Avoid using checks that arrive in the mail from your credit card company. The value of each check you use will be added to your existing debt—plus extra transaction fees!

Of course, there are times when using credit is unavoidable. If you must use credit, try the following:

- Keep your cards in a safe place when you aren't using them.
- Reduce the number of credit cards you carry to one or two.
- Keep your cards separate from your purse or wallet to prevent theft.
- Never give your credit card number over the telephone, particularly if you did not place the call.
- If you have carbon receipts from your purchases, make sure all are properly destroyed by shredding.

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Valuation "Insures" Protection

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field. A certified appraisal can help you make informed financial decisions, as well as provide you with professionally prepared documentation should you need to validate your property's worth to a third party, such as the Internal Revenue Service (IRS) or an insurer.

The "Value" of an Appraisal

Certified appraisals can help you secure appropriate insurance coverage, preserve your estate, and develop tax strategies. You may not be able to put a price on your antique clock, but an independent appraiser can. Knowing the worth of your valuables can help you tailor your financial strategies to your needs.

For insurance purposes, valuation can help you choose appropriate coverage for your property, and help you receive the reimbursement you are entitled to should you need to file a claim. Most homeowners policies generally exclude expensive items, such as furs, jewelry, and silver, from basic coverage, but they do offer protection at additional cost. To boost coverage, consider a "scheduled personal property endorsement," a list that amends the basic homeowners policy with bills of sale or appraisals dated within the past two years for such expensive property. "Extra articles coverage" is also available as part of the homeowner's package. With this coverage, homeowners pay an extra premium and accept adjusted deductibles to increase the per-item benefits without the need for appraisals or bills of sale. Choosing the best approach, either extra articles coverage or scheduling items separately, depends on the possessions involved and the premium formulas of the insurance company.

Certain life events, such as death and divorce, often call for the equitable distribution of property. When a person dies, all possessions of the deceased play a part in the cumulative value of his or her estate. Therefore, having appraisals for the items of value will prove helpful in the division of the estate, as well as the determination of estate tax. Oftentimes, probate may require that an entire estate be inventoried and valued. In the event of a divorce, appraisals are often helpful with the division of marital property. Consult your attorney for legal advice.

If you donate an item to a charitable organization, an appraisal may be needed to show the IRS that the charitable donation is worth what you claimed on your tax return. The IRS generally requires a qualified appraisal for deductions over $5,000 claimed for a single item or a collection of similar items, such as coins. Consult your tax professional for more information.

Appraisals may play a *valuable* role in your overall financial strategy. They can help you determine your insurance coverage, as well as your estate and tax strategies. Consider appraising your prized possessions before the need arises. *MM*

Credit Card Blues: Tips You Can Use

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- Shred all unsolicited and unwanted charge cards.
- Use your credit cards only for essential purchases and pay the balance as quickly as possible to avoid additional interest or late payments.

Remember, if you're charging more than you're paying, your credit card debt will always continue to increase. A meeting with your financial professionals can help you develop strategies for improving your spending, saving, and debt habits. *MM*

Should I Buy or Lease?

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Leases include many charges that may require large sums of cash at the start and at the end of the lease. Up-front costs may include a security deposit, a destination fee, and a registration fee. Lease-end charges may total hundreds or even thousands of dollars, for "excessive wear and tear," excess mileage (usually at $.10 to $.25 per mile), and a disposition fee. If you end the lease early, expect to pay a high penalty. In addition, if you decide to purchase the car at the end of the lease, it will usually cost you more than if you had originally purchased and financed the car.

Buying may be a better choice if you plan to keep your vehicle for a long time. Usually, if you add up your financing costs over the life of a car loan and compare them to the costs of leasing and then purchasing the leased vehicle, you will find that buying may make more economic sense. Also, once you own your car, van, or truck, you are free to drive it for years without a car payment, pass it on to a family member, or sell it. You may also maintain your vehicle as you wish, modify or customize it in any way you choose, and put unlimited miles on it without penalty.

Financing Alternatives

If you have decided to buy, rather than lease, you need to decide how to pay for the vehicle. Considering the high prices, many people choose to finance their purchases. Just as you shopped around for your car, van, or truck, it is also worth the effort to shop around for financing. Don't automatically finance with the dealer. Banks may also offer attractive deals. If you have a relationship with a bank, you may qualify for a reduced interest rate. Ask the car dealers you visit which banks they use, as your bank may be among them.

Bank representatives usually quote current rates over the phone, and they can tell you the monthly payment for a given loan amount at a specific interest rate and loan term. It is a good idea to check this with your bank, even if you decide to finance with a dealer. It can confirm that you are indeed getting the terms to which you agreed. A difference of a few dollars per month over the life of a loan could add up to an additional payment. One final caution: Beware of unbelievably low dealer rates. If, for instance, your dealer offers 1.9% financing while current lending rates are 8%, make sure you are not making up the difference in hidden charges. As with any purchase, it is the "bottom line" that matters most!

It Pays to Understand the Basics

Though the car buying experience may seem overwhelming, it is worth taking the time to understand the basics. For many people, a vehicle is the largest purchase they will ever make besides a house. Taking the time now to learn the basics of buying and financing can help you get the best deal. The more information you have, the smoother your ride is likely to be. *MM*

A Parting Thought...

Vesting refers to an employee's entitlement to funds contributed to a qualified, employer-sponsored retirement plan. An employee's contributions—and the earnings on these contributions—are fully vested from his or her start in the plan. However, an employer's matching contributions may vest according to the employee's length of service. You may lose some of the employer-provided benefits you have earned if you leave your job before you have worked long enough to be vested. However, once vested, you have the right to receive the vested portion of your benefits even if you leave your job before retirement. An employee who reaches normal retirement age is entitled to 100% vesting.