

Been There, Done That—

Advice from
Today's Retirees

Considering Long-term Care Insurance?

Know the Facts

Make History with a Summer Vacation in Williamsburg, VA

Financial Apps—

Check Out Our
List of Must-Haves

PLUS

How to Raise
Money-wise Kids

Break the College
Cash Crunch

Increase Your
Investment Savvy

What's Your
Financial IQ?



From the Firm

Sunshine is Here Again

Summer is almost here and it's the perfect time to slow down a little and take stock of where you stand financially, so you can enjoy the lazy, hazy days ahead.

The late spring and first few weeks of summer are usually marked by the arrival of the first holiday weekend, the beginning of summer vacation for students, and the highly anticipated return of summer activities such as backyard grilling, road trips, and other sun-filled adventures. With this issue of *In the Loop*, we're celebrating the beginning of the summer season by offering informative articles that you can easily read as you relax with a cool beverage outdoors.

If you're planning a family vacation soon, you'll want to check out our article about Williamsburg, Virginia—one of America's premier family destinations with something for everyone to enjoy.

This issue also contains articles that you may want to share with your family members to help you plan for future events such as the need for college education or long-term care.

Although school may not be in session, we've also included some simple ways that you can pass along lessons about money to the children in your life. Plus, our Investing 101 Guide is the perfect way to educate yourself about the most common investment terms.

From our office to you, we hope that this summer season is a safe and happy one filled with memories made with the people who matter to you most.

Sincerely,
Your Trusted Accounting Advisors

In The LOOP

May–June 2014

In this ISSUE

Features

4 • Securing Your Financial Future | Advice from today's retirees that can help you retire a little bit wealthier.

5 • How to Raise Money-wise Kids | Teaching kids about money can be child's play if you incorporate these strategies.

6 • Are College Savings Plans Right for Your Family? | Feel like you need a degree just to figure out how you are going to pay for college? Use our advice to help ease school loan stress.

7 • Increase Your Investment Savvy | Learn the lingo of the financial market so you can be a smarter investor yourself.

8 • Financial Apps to Help You Manage Your Bottom Line | Check out the latest must-have mobile apps for taking care of your finances.

10 • Know the Facts About Long-term Care Insurance | We're living longer, so the need for long-term care can become a reality—but do you need to insure yourself for the possibility?

Departments

2 • From the Firm | Take some time to relax and learn something new this summer.

12 • Life & Living | The Great American Vacation—Make memories enjoying the rich history of Williamsburg, Va.

14 • Mind Flex | What's Your Financial IQ?





What Today's Retirees Want You to Know About Securing Your Financial Future

Bankers Life and Casualty Company Center for a Secure Retirement recently released a survey showing what middle-income retirees say is their top financial advice for the younger generation. Here are the top tips these retirees wanted to share:

1. Start saving early.

Of the survey respondents, 93 percent said starting to save early for retirement was critical to their ability to live comfortably in their golden years. While you may have heard this advice so many times that you are tempted to gloss over it, remember that even a small amount of money saved each month can make the difference between doing the things that you want to do and living on a fixed income during retirement.

2. Contribute to a retirement account at work.

Over 80 percent of the survey

respondents said they would encourage today's workers to contribute to a retirement account at work. It makes it easier to save automatically—and often employers will offer a match of some kind, which is essentially free money.

3. Do more financial planning.

Of the retirees surveyed, 61 percent were adamant about creating a plan to address your financial goals. It makes sense, because if you don't know what you want to achieve, it is likely that you won't attain it. Working with a CPA to define your goals and outline the steps you need to take to make them a reality is a wise investment.

4. Invest conservatively.

Many of today's retirees have seen some significant gains and losses in the financial markets, so it's not surprising that nearly 40 percent of those surveyed cautioned

against adopting a risky investment strategy. To figure out how best to invest for your age and risk tolerance, it's usually best to consult a financial advisor.

5. Live well, but stick to a budget.

While this may seem like common sense, it is amazing how many people do not have a set budget—or have one and don't stick to it. Nearly one third of retiree respondents felt that this was advice worth giving—maybe because they see younger generations spending too much of their income without giving a thought to the future. So start today by writing down all of your fixed expenses (mortgage, car payments, etc.) and then track your variable and discretionary spending for a month or two to get a snapshot of what your personal balance sheet looks like. Then budget accordingly. ■

How to Raise Money-wise Kids

Instilling positive financial values and attitudes during childhood can have a huge impact on the financial habits of individuals in adulthood. Because finances affect our daily lives, there are many opportunities for parents, grandparents, and other adults to share money lessons with children on a regular basis. A recent national survey by Touchstone Research found that 81 percent of parents surveyed felt that it was their obligation to teach their children about the value of money.

Financial experts advise that as soon as you think your children can understand and express an interest, they should be taught the value of money and how to respect it.

Here are some examples of how you can teach children about managing money in everyday life:

The tried-and-true allowance.

According to the research conducted by Touchstone, 51 percent of parents give their children an allowance. While not every parent may want to give an allowance, financial experts say that if you do provide one in exchange for doing household chores, it can help to teach children that money is not just readily available—it needs to be earned through work.

Showing them how to shop smart.

Having children assist you with making a grocery list and clipping coupons can help them understand the concept of wants vs. needs, as well as the importance of seeking out good values. Kids can also organize coupons with you and then match them with the appropriate items on the shelves.

This exercise can also help kids learn about the importance of comparison shopping and waiting for items to go on sale.

Fast Facts About Kids & Money

A national survey of 2,034 U.S. adults with children between 4 and 18 years of age produced these findings:

The top 3 savings goals for kids are putting money away for:

- 1) video games**
- 2) toys**
- 3) college**

30 percent of kids who save plan to donate some of their money to charity.

38 percent of kids receive a match from their parents to top off their savings accounts.

73 percent of kids with savings accounts started before the age of three.

Celebrating savings.

Ask children where an appropriate and safe place to keep their money might be and have them create their own bank. They can draw a picture of what they are saving for on a piece of paper and attach it to the bank. You can track each child's savings progress with a colorful chart on the refrigerator or on a

bedroom wall as a reminder of the child's achievement. When a savings goal is achieved, consider having a savings celebration with a small treat such as chocolate coins or a date to watch an age-appropriate movie.

Going out to eat.

Most children enjoy eating away from home, and going to a restaurant provides a great opportunity for them to understand that every meal, whether made at home or eaten out, must be paid for. Encourage youngsters to compare menu items and prices. When the bill comes, kids can also check it to make sure that it is accurate, plus you can educate them about the practice of tipping and how taxes work.

Using the ATM as a teacher.

Using the ATM allows children to see how having money in a bank really works—that money isn't free, and that you had to actually earn it and deposit it into your account for it to be available. You might even see if you can take a tour of a bank or credit union (include a visit to the vault and your safe deposit box if possible) and explain how a bank works.

Letting them be accountants.

If your kids are of elementary age, they may be ready to have their own bank accounts, which allows them to become active managers in their financial affairs. The study conducted by Touchstone Research showed that 63 percent of kids surveyed had bank accounts and 42 percent actively contributed funds to them on a regular basis. If your child does have an account, be sure to let them see the bank statements on a regular basis so they can appreciate the progress they are making toward their goals. ■

Are College Savings Plans Right for Your Family?

College is expensive. Until about twenty years ago, college costs were still high, but many middle and even lower income students were still able to get through a four-year degree program with little or no debt. This was often done through a mix of part-time work, education grants, some family contributions, summer jobs, and a lot of Ramen noodles, but it was achievable, especially at state universities.

Even for the millions of Americans who have used student loans, the total amount of debt accrued was not insurmountable. But, things have changed over recent years. According to the National Center for Education Statistics, the average tuition at four-year state colleges and universities is now over \$21,000 per year, up from about \$12,000 per year in 1991, and \$15,000 in 2000.

Getting a degree is still very much worth the investment—as college graduates average around \$1 million dollars more in earnings during their careers, compared to those with only a high school diploma. So how can parents help prepare for their children’s upcoming educational expenses? Fortunately, there are a few ways that can help eliminate (or at least reduce) the need for either parents or their children to take on significant debt.

College 529 Savings Plans

Similar to 401(k) retirement accounts, 529 Savings Plans are investment savings accounts that are based on investments in stock, mutual funds, or similar markets. Recognized by the IRS starting in 1996, they are overseen by individual states and educational institutions and, therefore, have

some variations when it comes to their specifics.

The core intent of the 529 Plan is to allow parents to put after-tax income into an account that will grow. When a dependent child becomes a student, this money can be used to pay for qualifying educational expenses, such as tuition, room and board, fees, books, computers, supplies, and other equipment at accredited colleges. Although it is a post-tax deduction, the earnings on the investment are tax-free.

Parents can set up accounts, but plans can also be added to post-tax payroll deductions by employers. Many states also allow non-parents to make contributions to an account for nieces, nephews, non-family members, and even for the adult taxpayer him or herself.

Consider the Pros and Cons of a College 529 Savings Plan:

Pros

- Earnings made from the savings contributions are tax-free
- Earnings can be used for a variety of associated expenses
- Plans are transferable
- No income limitations
- High contribution limits (\$300,000 or more in most states)
- Can be reclaimed by donor (with penalties)
- Funds in accounts are not counted as part of the donor’s gross estate
- You can start at any time, whether the child is two months old or already in college

Cons

- Savings contributions are not federally tax-deductible, but are deductible in many states
- Other educational credits and

deductions may not be usable

- If reclaiming partial or full savings, the earnings are subject to a 10 percent penalty and income tax
- Distributions may be subject to gift tax if exceeding \$14,000 per year (check with your tax pro)
- With an investment-based plan, funds are not guaranteed and losses can be incurred. (Some states offer a no-risk option at a very low yield, such as Oklahoma with a 1.15 percent rate of interest.)

Pre-Paid Tuition Plans

Pre-paid tuition plans are another option offered by many states that can be used separately or in conjunction with 529 plans. As the name implies, these plans allow parents to lock-in tuition costs at the rate when they start the plan. This plan would have better cost-saving advantages for parents who are starting to save when a child is younger.

These programs vary much more extensively by each state, but generally do qualify for tax benefits when used as intended. Another consideration is the economy. College planning advisor Kevin Campbell recently warned that because states are still trying to balance budget deficits, many are looking at retooling their pre-paid college savings plans. For instance, Alabama froze tuition rates at the 2010 level, Colorado no longer accepts new savings accounts, and New Mexico got rid of its pre-paid plan.

The Best Tip: Talk to a CPA or tax professional about your family’s educational plans and other factors, so that they can help develop a strategic plan created for your unique needs. ■

Increase Your Investment Savvy

While some of our readers may be savvy investors, we know that there are many who are not—and don’t necessarily aspire to be. However, it never hurts to know some basic investment terms so that you can participate in the discussion and planning process when you work with an investment professional. That’s why we’ve compiled this glossary of need-to-know terms to help you better navigate your own investment choices.

DIVIDEND—A part of company earnings paid back to shareholders. Dividends are usually paid every quarter or once a year.

EARNINGS—A company’s net profit. Total revenue minus total expenses.

10-K (also known as an annual report)—A form that every company with at least 100 million in market capital must file with the SEC (Securities and Exchange Commission). Contains the company’s annual report and financial information.

INCOME STATEMENT—A statement that shows money that is flowing into a business. It is the part of the annual report that displays revenue, earnings, gross margins, and other income numbers.

BALANCE SHEET—Describes everything that the company owns, along with everything they owe. It is the part of the annual report that breaks down all assets, liabilities, and shareholder’s equity of a company.

STATEMENT OF CASH FLOWS—Presents cash flow numbers from operating activities, investing activities, and financing activities. This includes things like inventories, capital expenditures, and short-and long-term debt.

BOOK VALUE—Describes a company’s worth. If you were buying the business, this would be its value. Calculated by subtracting total assets minus total liabilities. Buying a stock that is trading below book value gives the investor a margin of safety.

ASSETS—Things of value that can produce or be converted into cash. You can find assets listed in a company’s balance sheet, found in the 10-K. Assets can vary from real estate to inventory and more.

LIABILITIES—A company’s expenses, which can include debt commitments, contingencies, accounts payable, and more. Liabilities can also be found in a company’s balance sheet in the 10-K.

SHAREHOLDER’S EQUITY—Total assets minus total liabilities.

MARKET CAP (also called market capitalization)—This is the market value of a stock. It is the company’s share price multiplied by the shares outstanding.

SHARES OUTSTANDING—The number of shares in the market.

SHARE BUYBACKS—When a company agrees to use profits to buy back its own stock. This creates value for shareholders either by driving up the stock price or reducing the shares outstanding.

P/E RATIO (price to earnings ratio)—This is the relation of a company’s price to its earnings. Calculated by dividing price by earnings. Lower P/E ratio companies tend to be undervalued and cheaper.

P/S RATIO (price to sales ratio)—Relation of a company’s price to its sales. Calculated by dividing price by total sales. This ratio is an underused tool in the investing world, yet it can be extremely effective in finding undervalued companies.

MARGIN—When referring to a brokerage account, this is another word for debt. It increases gain possibilities for the margin account holder, but also greatly increases risk.

MARGIN CALL—When an investor shorts a stock and the stock goes up instead of down. The investor’s broker will then call the investor and require that the investor put more money down to cover his losses if he wants to stay in the trade.

GROSS MARGINS—This is a company’s margin of profit. It is calculated by subtracting total sales by total costs. A company with higher gross margins has a competitive advantage over its peers. ■

Source: Andrew Sather’s www.einvestingforbeginners.com

Personal Finance Apps Make It Easy To Monitor Your Bottom Line

When it comes to managing personal finances, there seem to be two types of people: The person who saved paper route or babysitting money for a year to buy a special item, or the one who spent it as soon as it came in. Or, similarly, the adults who do or do not balance their checkbook meticulously.

While being good with money does seem to come more naturally to some people, it is generally accepted that financial management skills can be learned. The person who, as a child, spent all of his or her money haphazardly may be a successful business owner today—whether they learned to manage their own books effectively or trust in the skills and experience of a bookkeeper or accountant.

However, even successful professionals are not immune to financial management issues. Fortunately, the mass availability of personal financial apps make it much easier to keep track of not only the amount of money a person is saving or spending, but they also provide insight into spending patterns and offer advice on how to budget more effectively.

With hundreds of apps for financial management, which ones might be the best for you? The answer, of course, depends on your personal preferences and what kind of information you want the app to give you.

Start With Your Bank

Pretty much all financial institutions now offer apps developed specifically for their customers, from the big national and international banks and credit unions, to most regional institutions. These apps generally give users instant access to various savings, checking, credit, mortgage, and

investment accounts the person has with the institution...as well as allow users to make fund transfers and deposits.

Depending on the app, users may also be able to transfer funds to other people, deposit checks by taking a picture, pay various bills, get alerts on account activity, apply for loans, and find ATM locations.

Bank-specific apps do not, however, offer access to financial information at other financial institutions.

Multi-Account Financial Management Apps

When it comes to the bigger picture, which likely includes accounts at several banks, brokerages, or other financial institutions, a full-featured app can aggregate all this information—offering a panoramic view of spending, savings, and your overall financial situation.

Yodlee

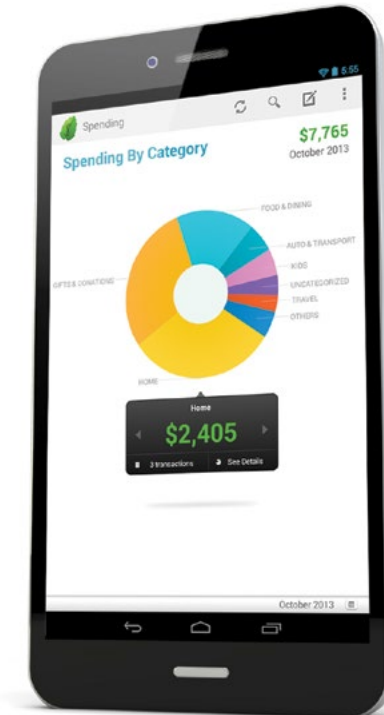
Yodlee has mobile financial management solutions for banks, businesses, and individuals. The personal financial management app, the MoneyCenter, allows users to view all accounts in one place, shows spending in a user-friendly pie chart, and offers budgeting tools to make it easier to set spending limits for certain types of purchases.

The Yodlee system can also pull in reward points for airlines, hotels, and other programs—complete with snapshot views and reminders of expiration dates. For investment accounts, the app gives users a view of their financial asset allocation across all accounts, including 401(k)s, mutual funds, and IRAs, with benchmarking data available.

Mint.com

Mint is one of the most popular personal financial apps, and is a part of Intuit, the maker of QuickBooks.

The basic version is free for users (there are ads on the app and website interface), and it can be used to track multiple bank accounts, credit cards, investments, and loans on a single interface. It works with more than 16,000 financial institutions across North America.



Among the key features of Mint:

- An intuitive dashboard with graphs of spending and accounts over time
- Automatic categorization of purchases and income (bills, education, entertainment, food, medical, clothing, etc.)
- Budgeting and planning
- Bill reminders and other alerts
- Available for iPhone and Android devices (also offers a desktop version)

Additional Personal Finance Apps

- **Buxfer:** Includes bank accounts and bill spending with budgeting and bill paying, as well as an IOU tracker for interpersonal loans.
- **Manilla:** Offers tools for online

document and subscription management, as well as integration with OpenTable, Groupon, Netflix, LivingSocial, and other popular mobile apps.

- **DailyCost:** Provides tracking of daily expenses with a three-second input screen that lets users easily scan a receipt or enter it, and then categorize as needed. Weekly and monthly spending charts display spending habits.

Keep An Eye On Your Credit, Too

While all of the above apps offer good tools for managing spending, keeping an eye on your credit is also a good idea. In addition to the big three credit reporting companies, there are several credit monitoring options on the market. You've no doubt seen ads for these services, which are usually subscription-based and provide your score and recent activity, such as credit account balances, inquiries, and other data.

CreditKarma, on the other hand, offers this information for free, and users can check their information as often as they like. Users can also opt to have the system automatically send them monthly reports. How is it free? Because, like the above apps, users will see targeted ads for financial services.

Using an app to get a handle on your personal finances can be a smart move, and apps can make it easier to manage your money when you travel and when you have many accounts at different institutions. One last tip: If you do decide to use one or more apps listed in this article, or you use a different one, be sure that the devices that you use to access your apps are password-protected to keep your sensitive personal and financial information secure. ■



Know the Facts About Long-term Care Insurance

Long-term care refers to a wide range of medical, personal, and social services. You may need this type of care if you have a prolonged illness or disability. This care may include help with daily activities, as well as home health care, adult daycare, nursing home care or care in a group living facility. Long-term care insurance is one way to pay for long-term care. It is designed to cover all or some of the services offered by long-term care providers.

With many of us living longer, or having relatives that are aging, and the possibility of having these services covered by regular insurance, Medicare, or Medicaid diminishing, weighing the pros and cons of long-term care insurance may be prudent, depending on

your situation. However, it is important to understand how this type of insurance works and what its limitations are.

Fact 1: Most long-term care policies have an elimination period.

An elimination period is the number of days you must need nursing home care or home health care before your policy pays benefits. A shorter elimination period will mean you pay a higher premium. In general, long-term care policies do not guarantee coverage unless you satisfy certain requirements. For example, most policies require that you be unable to perform a given number of daily living activities, such as dressing, bathing, and eating without assistance. In addition, many

policies have a benefit trigger for cognitive impairment. Meaning that you can only qualify for these benefits if you pass a test assessing your declining mental function.

Fact 2: Your benefits may not cover all of your costs.

Depending on the long-term insurance plan that you choose, your daily benefit can range anywhere from \$50 to \$250 per day. You may choose a benefit period that is a specific number of days, months, or years. A maximum benefit period may range from one year to the remainder of your lifetime. It is important to ask the person selling you the policy if the benefit amounts will increase with inflation and if that coverage increases your premium.

Fact 3: You need to check for exclusions.

Every insurance policy has an exclusion section, and many long-term care policies exclude coverage for diagnoses including mental and nervous disorders, alcoholism and drug addiction, illnesses caused by acts of war, treatment paid for by the government, and attempted suicide or self-inflicted injuries.

Fact 4: Many factors should influence your long-term care insurance purchase decision.

Your age and life expectancy, gender, family situation, health status, income and assets are all important factors in your decision to purchase long-term care insurance. Consider the following: The longer you live, the more likely it is that you will need long-term care. The younger you are when you buy the insurance, the lower your premiums will be.

Women are more likely to need long-term care because they have longer life expectancies and often outlive their spouses.

If you have a spouse or adult children, you may be more likely to receive care at home from family members. If family care is not available and you cannot care for yourself, paid care outside the home may be the only alternative. If chronic or debilitating health conditions run in your family, you could be at greater risk than another person of the same age and gender.

Purchasing a long-term care policy may help you to protect the assets that you have accumulated. On the other hand, a long-term care policy is not a good choice if you have few assets or a limited income. Some experts recommend you spend no more than five percent of your income on a long-term care policy.

Fact 5: Medicare and Medicaid will not cover most long-term care costs.

You may be thinking that you don't need long-term care insurance since Medicare and Medicaid programs exist. However, these programs are not designed to cover long-term care expenses. For example, Medicare does not pay the largest part of long-term care services or personal care—such as help with bathing, or for supervision, which is often called custodial care. Medicare will help pay for a short stay in a skilled nursing facility, for hospice care, or for home health care under certain conditions.

As an older adult, if you qualify for Medicaid (which means that your monthly income must be less than the federal poverty level, and your assets must not exceed certain limits), the program will cover you only in Medicaid-approved nursing homes that offer the level of care you need. Under certain circumstances, Medicaid will pay for home health care.

It's Important to Know the Facts About Your Specific Policy Before You Buy

As you can see, it is important to know the facts before you buy long-term care insurance. This includes understanding the qualifying events for which your policy will begin paying benefits, knowing what the elimination period is for your policy and the daily benefits it provides, and what coverage and exclusions are involved. It is also important to match your need for long-term care with your need to protect assets and your ability to pay premiums. ■

Don't Miss These Tax Deadlines



Keep these dates handy to avoid paying penalties:

Business Tax Deadlines

- March 17, 2014
Filing Deadline
- Sept. 15, 2014
Extension Deadline

Estimated Quarterly Tax Payment Deadlines

- 1st Quarter:
April 15, 2014
- 2nd Quarter:
June 16, 2014
- 3rd Quarter:
September 15, 2014
- 4th Quarter:
January 15, 2015

Individual Tax Deadlines

- April 15, 2014
Filing Deadline
- Oct. 15, 2014
Extension Deadline

IRA Contribution Deadline:

- April 15, 2014
- If filing an extension, you have until Oct. 15, 2014.

Please visit www.irs.gov for additional information.



The Great American Vacation Make Memories from the Rich History of Williamsburg, VA

If you're planning a family vacation this summer and are looking to take in some of America's splendor and charm, then a trip to Williamsburg, Virginia may just fit the bill. Williamsburg is a safe small town where driving is laid back and easy. This allows you to take in all that the city has to offer at a relaxed pace—from rich historic re-enactments in Colonial Williamsburg to theme parks that will appeal to children and teens alike.

As the colonial capital of Virginia and heart of the American Revolution, Colonial Williamsburg is rooted in rich history. A living history center with professional-quality re-enactments, Colonial Williamsburg preserves the original city. Outside the Historic District, modern-day Williamsburg is a vibrant college town.

When looking at lodging, official Colonial Williamsburg hotels are located along the border of the Historic District. These venues can be pricey; however, the city also hosts several more affordable chain hotels and private motels that lie just outside the Historic District. If you have children, Great Wolf Lodge is also an option.

Things To Do in Williamsburg

Colonial Williamsburg and Beyond

A major attraction in Williamsburg is, of course, the city's Historic District, which requires a ticket for entrance. A ticket includes admission to virtually all daytime activities within the Historic District. Colonial Williamsburg also comes alive at night with a revolving lineup of special events that showcase the daily lives of Revolution-era citizens. Most evening programs charge a small admission fee. Length-of-stay passes and annual passes offer a 25 percent discount on all regularly scheduled evening programs.

If you are staying in an official Colonial Williamsburg hotel, you can purchase length-of-stay passes



expect, you will pay higher rates for lodging during this time due to the overwhelming demand.

Step into the Modern Day City

In addition to the Historic District, you can find plenty to do in Williamsburg including popular stops such as the Governor's Palace, the Magazine (home of the colony's weaponry and ammunition), the old-time church, tavern and theater, and period home tours. Williamsburg also has great golfing, parks, and shopping areas to explore—plus the relaxation of Virginia Beach is only a short drive away.

Delicious Dining in Williamsburg

The Williamsburg area has no shortage of excellent dining options. Williamsburg, Jamestown, and Yorktown are home to some of the area's best culinary hotspots, serving everything from seared steak to fresh local seafood and authentic American to foreign flavors. Colonial Williamsburg also offers its own unique dining adventures at 18th-century style taverns and family friendly bistros, cafés, delis, and buffets. If you're planning a special night out, you can dine along the river in Yorktown or take in fine dining in an elegant atmosphere at several Williamsburg-area restaurants.

With so much to do, Williamsburg is one of America's top summer vacation destinations. If you are looking to make it part of your vacation plans, consider accessing the city's travel bureau online at VisitWilliamsburg.com for detailed information on the city and surrounding areas. ■

for about the same price as a one-day ticket to the Historic District. For true history buffs, Historic Triangle passes are also valid at nearby Jamestown and Yorktown and are good for seven consecutive days. Colonial Williamsburg Annual Passes are the best value for those who plan to spend most of their time in the Historic District.

Combination tickets are also available for Williamsburg's modern attractions, including Busch Gardens and Water Country USA. You can check with the Williamsburg Visitor Bureau for the latest options when planning your trip.

Celebrate the Fourth of July in Patriotic Fashion

Colonial Williamsburg offers dozens of holiday celebrations and special events throughout the year, with one of the largest Fourth of July celebrations in the United States. Of course, as you might

Quiz: What is Your Financial IQ?

Even the most financially savvy people encounter, and sometimes let personal finance myths influence, how they manage their money. Some of these misconceptions are rooted in faulty information right from the start. Others might have been valid at one point but have become outdated. Try this short quiz from The Associated Press to test your knowledge of some essential facts about sound money management, then look for the answers on page 15:

1. After my payment history, the largest single factor that determines my credit score is:

A. The length of my credit history
B. The amount of debt I owe
C. The number of credit cards I have
D. The number of credit applications I've made within the last year
2. If I own a target-date mutual fund in my 401(k), which minimizes my risk of stock market losses as I approach retirement, I shouldn't invest in other mutual funds. That's because a target-date fund is designed to be an all-in-one investment.

A. True
B. False
3. Recent changes to credit card regulations mean that the interest rate on an existing credit card balance can't be raised unless payments are 60 days past due.

A. True
B. False
4. What's the biggest difference between an individual retirement account and a Roth IRA?

A. The investments you can choose from: stocks, bonds, or CDs
B. When you will pay taxes
C. Where you can open an IRA: a bank or brokerage house
5. What does the acronym APR stand for on a loan application?

A. Average Principal Return
B. Average Percentage Rate
C. Annual Percentage Rate
6. What's the difference between a money-market account and a money-market fund?

A. There is no difference
B. One pays interest, the other does not
C. One is offered by a bank and is insured by the FDIC, the other is not
7. If I've been automatically enrolled in my 401(k) at work, I should be on track with my retirement savings.

A. True
B. False
8. Of the three credit reporting agencies, I really need to look at just one report a year to make sure everything is OK.

A. True
B. False
9. A tax credit is deducted from a person's taxable income.

A. True
B. False
10. The broadest indicator of how U.S. stocks are performing is the:

A. Dow Jones industrial average
B. Standard & Poor's 500 index
C. Nasdaq composite
D. Russell 2000
E. Wilshire 5000
11. Comprehensive auto insurance coverage means that you can be reimbursed for the cost of any damage to your car caused by a collision.

A. True
B. False



Answers

1. (b) After your payment history (35 percent), the second-largest factor used to determine your credit score is the amount you owe. According to FICO, it counts for 30 percent.

2. (b) False. That said, there is nothing wrong with using a target-date mutual fund as the only investment if an investor decides, based on risk tolerance and time frame until retirement, that one fund fits his or her needs.

3. (A) True.

4. (B) The biggest difference is when you pay taxes. All or part of traditional IRA contributions are tax-deductible depending on your circumstances, and you pay taxes when you make withdrawals. Roth IRA contributions are not tax-deductible, but upon withdrawal the earnings and principal are tax-free if you've followed all the rules.

5. (c) Annual Percentage Rate. It is the cost of a loan over a year's time, typically including interest, insurance, and origination fees (also called points).

6. (c) A money-market account is an interest-bearing savings account offered by banks and it is insured by the FDIC. A money-market fund is short for money-market mutual fund, which invests in short-term debt such as Treasury bills or short-term corporate bonds.

7. (B) False. You need to take an active role in managing your account.

8. (B) False. There are three credit reporting agencies: Equifax, Experian, and TransUnion. The reports aren't identical, so you should look at all three. Get the free reports at annualcreditreport.com or call 877.322.8228.

9. (B) False. There's a difference between a tax credit and a tax deduction. A tax deduction reduces the amount of your income that is taxable. A tax credit is deducted directly from the taxes you owe.

10. (e) The Wilshire 5000, with over 5,000 companies, is considered the broadest measure of the U.S. stock market, tracking nearly all actively traded U.S. stocks. Although the Dow may be the most-cited index and the most watched by Main Street investors, it includes just 30 companies. The S&P 500 is mostly large companies and is used frequently by fund managers and other institutional investors. The Nasdaq composite index tracks stocks on that exchange. The Russell 2000 tracks 2,000 small companies.

11. (B) False. Despite its name, comprehensive coverage refers only to a portion of an auto insurance policy that covers damage to the policyholder's car not caused by a collision.

What's Your Score?

- 0-3:

It's never too late to learn. But it's time to get started.
- 4-5:

You show some knowledge, but you may benefit from picking up some tips from a professional financial advisor.
- 6-7:

This is not bad, but could be better. Try doing some research to supplement your current knowledge.
- 8-9:

Very good.
- 10-11:

Excellent!

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