Improving Your
Financial Wellness

Notes

Table of Contents

SPENDING

Knowledge Is Power: Find Out Where Your Money Really Goes

The first step toward financial wellness is to understand your spending habits. Write down everything you spend for a month or two. Everything. And then add up your monthly expenses. You may be astonished at what you learn.

At first you may think that monitoring your spending is a nuisance. But it becomes a habit pretty quickly, and you may find many new ways to save money.

When using this chart, be specific.

- Don't write, "Food." Do write, "Hamburger, French fries, and soda."
- Don't write, "Clothing." Do write, "Socks I really need," or "Fun jacket."

Date	Item	Cash/Debit	Charge

Date	Item	Cash/Debit	Charge

Internet Coupons: An Easy Way to Save Money

Before you go shopping, whether online or in a store, search for coupons on the Web. Using Google or another search engine, enter the name of the store or the item and the word "coupon" or "discount." Often you will be directed to a coupon with a code to use if you are shopping online and a print option if you are shopping in a store.

Spend Less on Food and Still Have a Great Time

Eating out can be a huge expense, particularly if you eat out frequently. Many people spend more money on work lunches than they really want to, but they just don't have the time or inclination to make and bring lunch every day.

Here are some ways to save money on lunch:

- Cook a reheatable dish on Sunday night and package it into lunch-size containers to grab as you leave for work.
- Arrange with a coworker or two to take turns bringing lunch. You'll be more motivated to make lunch on your day, since other people will be relying on you, and on the other days, you'll be fed.
- Have potluck days at work where each person brings in food and everyone shares.
- Arrange a "salad club" at work, where each person brings in something for a salad that can be assembled at work.
- If you do go out for lunch, try to order something that will have leftovers for the next day's lunch – and drink water rather than paying for something to drink.

And here are some ways to save money on eating out in general:

- If you and your friends tend to eat at expensive restaurants, suggest that sometimes you try less expensive ones. You may find that your friends are grateful that someone made the suggestion.
- If you go out with someone else, share one main dish and one appetizer instead of ordering two main dishes.
- Don't order a main dish *and* an appetizer *and* a drink *and* dessert every time you go out.
- Decide beforehand how much you want to spend, and see how creative you can be ordering within that limit. Soup and salad or two side dishes may turn out to be as satisfying or more satisfying than a main dish.
- Get into the habit of drinking water with dinner, rather than wine or soda or coffee, and you'll save a lot of money.
- Before you go out, do a Google search on the name of the restaurant and the word "coupon" or "discount." Sometimes the most surprising restaurants have discounts. (But don't end up spending more than you planned to because you're getting a discount!)
- Find out if your favorite restaurant provides free birthday meals or desserts.

Other ways to save money on food include the following:

- Buy in bulk if you're sure you'll use it all. And double-check that it's really cheaper per ounce or pound – sometimes it's not.
- Don't buy bottled water. Bring water from home. In many places, it's as clean and healthy and it's always cheaper.
- Buy generic or store brands. In many cases, they taste just as good as the name brands.
- Make a list before you go grocery shopping, and stick to it. Not only do last-minute purchases add to your food bill, but also they tend to be unhealthy treats.
- Bring snacks when you travel.
- Buy fruit and vegetables when they're in season.

An interesting way to manage your food bill is to set a spending limit per day or week or month and then try to come in under the limit. That way, if you know, for example, that you're going out for a special meal on Friday – and you'd really like to order wine – you may be more motivated to bring lunch to work to free up money for that treat.

And, of course, don't try to do everything at once. Make one change, and when you get used to it, add another. You may find that you save hundreds, even thousands, of dollars a year.

Extended Warranties: Worth the Money?

You're at the cash register buying a TV or a computer or a camcorder, and the salesperson says, "Would you like to buy an extended warranty? It's only $XX." And maybe you think, "Shouldn't I? After all, I'm already spending a lot—and it's better to be safe than sorry."
However, in most cases extended warranties are not worth the money. (Note: extended warranties are sometimes called service agreements, service contracts, or maintenance agreements.)

Reasons Not to Buy Extended Warranties

Consumer Reports carried out extensive research about the pros and cons of extended warranties, with the following findings:

- Many new products are well-made and unlikely to break down.
- On the infrequent occasions that products do break down, the cost of repairs is often less than the cost of the extended warranty.
- Products don't necessarily break down during the period covered by the extended warranty.
- The cost of the warranty may be out of proportion to the cost of the item, particularly on less-expensive purchases.
- With cell phones, computers, and other electronic items, by the time the extended warranty kicks in, you may be in the market for a new model.

- Your credit card may already extend the warranty for free. Call your credit card company for more information; there's a phone number for customer service on the back of the card.
  - Make sure to use a charge card that you will keep for a few years; if the card is canceled, the coverage is canceled.
  - Keep your receipt and information on the original warranty.
  - Consider registering your purchase with the credit card company; customer service can tell you how.

In addition, Consumeraffairs.com points out that if the underwriter of the warranty goes out of business, the warranty is worthless.

Reasons to Buy Extended Warranties

It might be a good idea to buy an extended warranty if:

- You're a worrier and the extended warranty would buy you peace of mind.
- The extended warranty includes in-home service and you don't want to lug a large itemsomeplace for repairs.
- You're buying a used car and you're afraid of being hit with a large repair bill that you just couldn't afford.

If You Do Buy an Extended Warranty

- Negotiate for a better price; the warranty should not cost more than 20 percent of the purchase price.
- Read the fine print very, very, very carefully to make sure that it covers what you want it to cover.

If you are considering buying an extended warranty for a car, find out how much of the original warranty is left.

- Call different auto dealers to compare extended-warranty prices.
- Avoid dealer warranties since they generally cover work at the dealership and you might have car problems out of town.

Set Up Your Own Extended Warranty

Instead of buying an extended warranty, consider taking that money and putting it in a savings account. If the item needs to be repaired, you'll have the money, and chances are that it will be enough. If the item doesn't need to be repaired, you get to keep your cash.

CREDIT CARDS AND OTHER DEBT

Ways to Use Your Credit Cards – and Stay Out of Trouble

- Pay your bill in full every month. You might want to pay your bill weekly online so that you are aware of how much you're spending.
- Another option is to write down everything you charge in your checkbook as though you have already spent the money, since you already have!
- Do everything you can to pay off all of your credit card debt – you may have to sacrifice now, but it's the single best thing you can do for your financial future.
- If you have a balance, get the lowest interest rate possible – and read the small print. It might make sense to switch to another card. Another possibility is to call your credit card company and ask for a lower rate. Note: The interest rate is the amount you pay on your monthly balance; it can be anywhere from 0 percent to more than 30 percent!
- If you pay every month, get a no-annual-fee or low-annual-fee card. Note: The annual fee is a yearly payment to the credit card company; it's usually between $0 and $100.
- If you miss a payment and are charged a late fee, call and ask if it can be reversed. Chances are that the credit card company will reverse it (if you don't make a habit of missing payments).
- Limit the number of credit cards you use.
- If you have ongoing credit card debt, keep one card for absolutely necessary purchases and pay that one in full every month.
- If you simply can't keep up with your credit card debt, do yourself a favor and cut up the cards and use cash.
- If you're in over your head and don't know where to turn, consider checking out Debtors Anonymous (www.debtorsanonymous.org).
- If you're considering debt consolidation or working with a debt settlement organization, be careful. Some of them are untrustworthy, some are expensive, and all of them provide services that you can actually provide for yourself. If you do want to pursue this option, it is recommended that you carry out a lot of research and speak to a lawyer or financial advisor before signing on the dotted line.

How to Use Your Credit Cards Carefully

- **Monitor your credit limit.** Your credit card company may lower your credit limit, even if you have a good credit history. Besides limiting how much you can charge, the change may also affect your credit score. The best way to reduce the risk of having your credit limit lowered is to pay your bills on time – and, if possible, in full.

- **Decide if you want the ability to make purchases over your credit limit.** You have to opt in for this feature, and then if you do go over your limit, you will be charged a fee. If you opt out, any purchase over your limit will be refused by your credit company. Some people choose to have this option in case of an emergency – but it's better for your finances and your credit rating to avoid going over your limit.

- **Use "no-interest" offers cautiously.** "Zero-percent interest" offers allow you to buy big-ticket items without paying interest for six months to a year or more. However, with many of these offers, you must pay off the entire purchase by the time the promotional period ends, or the lender will charge you interest at the standard rate – which may be quite high – *from the date you bought the item.*

- **Don't keep credit cards you don't need or use.** Having cards you don't use can lower your credit score. However, closing a credit card account can cause your score to take a *temporary* dip, especially if you've had the card for many years, so don't cancel just before shopping for a mortgage or other credit.

  Periodically use the cards you keep – and then pay them off in full – so you are seen by each credit card issuer as an active and reliable customer.

- **Choose rewards cards carefully**. Are there limits on how the points/miles can be used? Do points/miles run out after a certain time period has passed? Do you get extra points for buying certain items? Is the benefit of using the card greater than the yearly fee? Is the interest rate reasonable?

- **If you are having difficulty paying your credit card bill(s), consider speaking with a credit counselor.** One option is to call the National Foundation for Credit Counseling at 1-800-388-2227 or visit the website at **www.nfcc.org.** And for information on how to avoid financial scams, check out the fact sheet called "Settling Your Credit Card Debts," at **www.ftc.gov/bcp/edu/pubs/consumer/credit/cre02.shtm.**

- **For more on managing credit cards, visit the U.S. government website www.mymoney.gov.**

Based on information from the Federal Trade Commission.

Credit and Debit Overdraft Services: To Opt In or Not to Opt In?

You go to charge a piece of clothing, not aware that it will bring you over your credit limit (or you use your debit card, not aware that you don't have enough money to cover the purchase). Would you prefer that your credit card company or bank (1) refuse the purchase or (2) allow it but charge you a fee (known as "overdraft protection")?

Banks can no longer provide "overdraft protection" unless you specifically opt in for the service. But should you?

Advantage	Disadvantage
Access to money in situations in which you have no other options	Extraordinarily high fees

You might want to have overdraft protection for emergencies – but the emphasis should be on the word **emergencies**. Keep in mind that having the service means that if you accidentally go $2 over your credit limit, you may be charged a fee 15 to 20 times that. It would be a lot cheaper to just accept that the purchase would be refused.

Other Options

There are a number of ways to avoid ever needing overdraft protection:

- Monitor your bank accounts and credit cards online so that you are always up to date on your balances.
- Set up alerts from your bank to warn you when your checking account balance is low or your credit card balance is high.
- Connect your checking account to a savings account so that checks can be covered without having to pay a high fee to the bank.
- Ask your credit card company for a higher credit limit (if you are confident that you will use this only for emergencies).
- Spend less money, if you possibly can.

Looking for the Best Mortgage: Shop, Compare, Negotiate

Shopping around for a home loan or mortgage will help you get the best financing deal. A mortgage – whether it's a home purchase, a refinancing, or a home equity loan – is a product, just like a car, so the price and terms may be negotiable. You'll want to compare all the costs involved in obtaining a mortgage. Shopping, comparing, and negotiating may save you thousands of dollars. *There is a glossary at the end of this article.*

Obtain Information From Several Lenders

Home loans are available from several types of lenders – thrift institutions, commercial banks, mortgage companies, and credit unions. Different lenders may quote you different prices, so you should contact several lenders to make sure you're getting the best price. You can also get a home loan through a mortgage broker. Brokers arrange transactions rather than lend money directly; in other words, they find a lender for you. A broker's access to several lenders can mean a wider selection of loan products and terms from which you can choose. Brokers will generally contact several lenders regarding your application, but they are not obligated to find the best deal for you unless they have contracted with you to act as your agent. Consequently, you should consider contacting more than one broker, just as you should with banks or thrift institutions.

Whether you are dealing with a lender or a broker may not always be clear. Some financial institutions operate as both lenders and brokers. And most brokers' advertisements do not use the word broker. Therefore, be sure to ask whether a broker is involved. This information is important because brokers are usually paid a fee for their services that may be separate from and in addition to the loan origination or other fees. A broker's compensation may be in the form of points paid at closing or as an add-on to your interest rate, or both. You should ask each broker you work with how he or she will be compensated so that you can compare the different fees. Be prepared to negotiate with the brokers as well as the lenders.

Obtain All Important Cost Information

Be sure to get information about mortgages from several lenders or brokers. Know how much of a down payment you can afford, and find out all the costs involved in the loan. Knowing just the amount of the monthly payment or the interest rate is not enough. Ask for information about the same loan amount, loan term, and type of loan so that you can compare the information. The following information is important to get from each lender and broker:

Rates

- Ask each lender and broker for a list of its current mortgage interest rates and whether the rates being quoted are the lowest for that day or week.
- Ask whether the rate is fixed or adjustable. Keep in mind that when interest rates for adjustable-rate mortgages go up, generally so do the monthly payments.
- If the rate quoted is for an adjustable-rate mortgage, ask how your rate and loan payment will vary, including whether your loan payment will be reduced when rates go down. Ask what your highest monthly payment would be if interest rates went up.
- Ask about the loan's annual percentage rate (APR). The APR takes into account not only the interest rate but also points, broker fees, and certain other credit charges that you may be required to pay, expressed as a yearly rate.

Points

Points are fees paid to the lender or broker for the loan and are often linked to the interest rate; usually the more points you pay, the lower the rate.

- Check your local newspaper for information about rates and points currently being offered.
- Ask for points to be quoted to you as a dollar amount – rather than just as the number of points – so that you will know how much you will actually have to pay.

Fees

A home loan often involves many fees, such as loan origination or underwriting fees, broker fees, and settlement (or closing costs). Every lender or broker should be able to give you an estimate of its fees. Many of these fees are negotiable. Some fees are paid when you apply for a loan (such as application and appraisal fees), and others are paid at closing. In some cases, you can borrow the money needed to pay these fees, but doing so will increase your loan amount and total costs. "No cost" loans are sometimes available, but they usually involve higher rates.

- Ask what each fee includes. Several items may be lumped into one fee.
- Ask for an explanation of any fee you do not understand. Some common fees associated with a home loan closing are listed on the Mortgage Shopping Worksheet.

Down Payments and Private Mortgage Insurance

Some lenders require 20 percent of the home's purchase price as a down payment. If a 20 percent down payment is not made, lenders usually require the homebuyer to purchase private mortgage insurance (PMI) to protect the lender in case the homebuyer fails to pay. When government-assisted programs such as FHA (Federal Housing Administration), VA (Veterans Administration), or Rural Development Services are available, the down payment requirements may be substantially smaller.

- Ask about the lender's requirements for a down payment, including what you need to do to verify that funds for your down payment are available.
- Ask your lender about special programs it may offer.

If PMI is required for your loan, ask what the total cost of the insurance will be and how much your monthly payment will be when the PMI premium is included.

Obtain the Best Deal That You Can

Once you know what each lender has to offer, negotiate the best deal that you can. On any given day, lenders and brokers may offer different prices for the same loan terms to different consumers, even if those consumers have the same loan qualifications. The most likely reason for this difference in price is that loan officers and brokers are often allowed to keep some or all of this difference as extra compensation. Generally, the difference between the lowest available price for a loan product and any higher price that the borrower agrees to pay is an overage. When overages occur, they are built into the prices quoted to consumers. They can occur in both fixed-rate and variable-rate loans and can be in the form of points, fees, or the interest rate. Whether quoted to you by a loan officer or a broker, the price of any loan may contain overages.

Have the lender or broker write down all the costs associated with the loan. Then ask if the lender or broker will waive or reduce one or more of its fees or agree to a lower rate or fewer points. You'll want to make sure that the lender or broker is not agreeing to lower one fee while raising another or to lower the rate while raising points. There's no harm in asking lenders or brokers if they can give better terms.

Once you are satisfied with the terms you have negotiated, you may want to obtain a written lock-in from the lender or broker. The lock-in should include the rate that you have agreed on, the period the lock-in lasts, and the number of points to be paid. A fee may be charged for locking in the loan rate. This fee may be refundable at closing. Lock-ins can protect you from rate increases while your loan is being processed; if rates fall, however, you could end up with a less-favorable rate. If that happens, try to negotiate a compromise with the lender or broker.

Remember: Shop, Compare, Negotiate

When buying a home, remember to shop around, to compare costs and terms, and to negotiate for the best deal. Your local newspaper and the Internet are good places to start shopping for a loan. You can usually find information both on interest rates and on points for several lenders. Since rates and points can change daily, you'll want to check your newspaper often when shopping for a home loan. But the newspaper does not list the fees, so be sure to ask the lenders about them.

Write down the information you obtain when you speak to each lender or broker. Don't be afraid to make lenders and brokers compete with each other for your business by letting them know that you are shopping for the best deal.

Fair Lending Is Required by Law

The Equal Credit Opportunity Act prohibits lenders from discriminating against credit applicants in any aspect of a credit transaction on the basis of race, color, religion, national origin, sex, marital status, age, whether all or part of the applicant's income comes from a public assistance program, or whether the applicant has in good faith exercised a right under the Consumer Credit Protection Act. The Fair Housing Act prohibits discrimination in residential real estate transactions on the basis of race, color, religion, sex, handicap, familial status, or national origin. Under these laws, a consumer may not be refused a loan based on these characteristics nor be charged more for a loan or *offered less-favorable terms* based on such characteristics.

Credit Problems? Still Shop, Compare, and Negotiate

Don't assume that minor credit problems or difficulties stemming from unique circumstances, such as illness or temporary loss of income, will limit your loan choices to only high-cost lenders.

If your credit report contains negative information that is accurate, but there are good reasons for trusting you to repay a loan, be sure to explain your situation to the lender or broker. If your credit problems cannot be explained, you will probably have to pay more than borrowers who have good credit histories. But don't assume that the only way to get credit is to pay a high price. Ask how your past credit history affects the price of your loan and what you would need to do to get a better price. Take the time to shop around and negotiate the best deal that you can.

Whether you have credit problems or not, it's a good idea to review your credit report for accuracy and completeness before you apply for a loan. To order a copy of your credit report, visit **www.annualcreditreport.com**.

Adjustable-rate mortgage (ARM) – A mortgage that does not have a fixed interest rate. The rate changes during the life of the loan based on movements in an index rate, such as the rate for Treasury securities or the Cost of Funds Index. ARMs usually offer a lower initial interest rate than fixed-rate loans. The interest rate fluctuates over the life of the loan based on market conditions, but the loan agreement generally sets maximum and minimum rates. When interest rates increase, generally your loan payments increase; when interest rates decrease, your monthly payments may decrease.

Annual percentage rate (APR) – The cost of credit expressed as a yearly rate. For closed-end credit, such as car loans or mortgages, the APR includes the interest rate, points, broker fees, and certain other credit charges that the borrower is required to pay. An APR, or an equivalent rate, is not used in leasing agreements.

Conventional loans – Mortgage loans other than those insured or guaranteed by a government agency such as the FHA (Federal Housing Administration), the VA (Veterans Administration), or the Rural Development Services (formerly known as the Farmers Home Administration or FmHA).

Escrow – The holding of money or documents by a neutral third party before closing on a property. It can also be an account held by the lender (or servicer) into which a homeowner pays money for taxes and insurance.

Fixed-rate loans – Loans that generally have repayment terms of 15, 20, or 30 years. Both the interest rate and the monthly payments (for principal and interest) stay the same during the life of the loan.

Interest rate – The price paid for borrowing money, usually stated in percentages and as an annual rate.

Loan origination fees – Fees charged by the lender for processing a loan; often expressed as a percentage of the loan amount.

Lock-in – A written agreement guaranteeing a homebuyer a specific interest rate on a home loan provided that the loan is closed within a certain period, such as 60 or 90 days. Often the agreement also specifies the number of points to be paid at closing.

Mortgage – A contract, signed by a borrower when a home loan is made, that gives the lender the right to take possession of the property if the borrower fails to pay off, or defaults on, the loan.

Overages – The difference between the lowest available price and any higher price that the homebuyer agrees to pay for a loan. Loan officers and brokers are often allowed to keep some or all of this difference as extra compensation.

Points (also called discount points**)** – One point is equal to 1 percent of the principal amount of a mortgage loan. For example, if a mortgage is $200,000, one point equals $2,000. Lenders frequently charge points in both fixed-rate and adjustable-rate mortgages to cover loan origination costs or to provide additional compensation to the lender or broker. Points are paid usually on the loan closing date and may be paid by the borrower or the home seller, or split between the two parties. In some cases, the money needed to pay points can be borrowed, but that increases the loan amount and the total costs. Discount points (sometimes called discount fees) are points that the borrower voluntarily chooses to pay in return for a lower interest rate.

Private mortgage insurance (PMI) – Protects the lender against a loss if a borrower defaults on the loan. It is a payment usually required of a borrower for loans in which a down payment is less than 20 percent of the sale price or, in a refinancing, when the amount financed is greater than 80 percent of the appraised value. When you acquire 20 percent equity in your home, PMI is cancelled. Depending on the size of your mortgage and down payment, these premiums can add $100 to $200 per month or more to your payments.

Settlement (or closing) costs – Fees paid at a loan closing. May include application fees; title examination, abstract of title, title insurance, and property survey fees; fees for preparing deeds, mortgages, and settlement documents; attorneys' fees; recording fees; estimated costs of taxes and insurance; and notary, appraisal, and credit report fees. Under the Real Estate Settlement Procedures Act, the borrower receives a "good faith" estimate of closing costs within three days of application. The good faith estimate lists each expected cost either as an amount or a range.

Thrift institution – A term generally describing savings banks and savings and loan associations.

Adapted from the FTC.

Student Financial Aid:
Filling Out the Free Application for Federal Student Aid (FAFSA)

What is the FAFSA? The FAFSA (Free Application for Federal Student Aid) is a federal form you must fill out to qualify for federal financial aid; most states and colleges use it as well.

How do I fill it out? The best and quickest way is to go to **www.fafsa.ed.gov** and fill the form out online; it will be processed quickly, and your information will be stored so that next year's FAFSA will take less work.

Make sure to go to **www.fafsa.ed.gov** and not **www.fafsa.com** or other sites that charge you for information you can get for free at the government site. Remember – and remind your friends – that it's the FREE Application for Federal Student Aid.

You can download a PDF of the form at **www.FederalStudentAid.ed.gov.** Paper applications are also available at your local library, your high school, and the college or career school you plan to attend. Another option is to call the Federal Student Aid Information Center at 800-4FED-AID (800-433-3243; TTY, 800-730-8913) and ask to be sent a paper copy.

When should I fill it out? As soon as possible after January 1 each year, since some financial aid is provided on a first-come, first-served basis.

What information do I need to fill out the FAFSA?

- Student's financial records for the previous year
- Parents' financial records for the previous year if student is a dependent
- Spouse's financial records for the previous year if student is married
- Student's Social Security number
- Student's driver's license number
- Veterans benefits records
- Child support received
- Worker's compensation
- Current bank statements
- Current business and investment mortgage information, business and farm records, stock, bond and other investment records

It's recommended that you print out and complete a FAFSA on the Web Worksheet (available at **www.fafsa.ed.gov**) before entering information for the FAFSA online.

What if I haven't done my taxes for the year yet? Enter estimates on the FAFSA. However, remember to make corrections later if your estimates weren't correct, and keep in mind that you will need to return any federal student aid received based on the incorrect estimates.

Why do I have to fill the FAFSA out every year? Each application is only good for one year. However, if you fill the FAFSA out online, it retains your information. In the future, you can then fill out a renewal version in which you only enter information that has changed since the previous year.

What if I think I/my child won't be eligible for aid? It's suggested that you file anyway, just in case.

What if I/my child didn't qualify last year? It's suggested that you file again, particularly if your family's financial situation has changed or a sibling has started college.

Is the FAFSA available in Spanish? Yes

What if I want to start researching financial aid early? Go to **www.fafsa4caster.ed.gov** for information on student aid, how to apply, and how much your child might be eligible for.

Where can I get more information? You can find general information about federal student aid, along with many publications, brochures, and fact sheets at **www.FederalStudentAid.ed.gov.**

Adapted from Federal Student Aid, U.S. Department of Education.

INVESTMENTS

Planning Your Retirement: IRAs and 401ks

Note: This table is provided as an introduction only; there may be exceptions or limitations that are not covered. This overview of your IRA and 401k (403b) options is based on the most general rules and regulations; there are exceptions, for example, in cases of hardship. Please use this as a guide rather than as an absolute. This does not constitute the provision of trading or financial advice on our part.

Advantages			
Traditional IRA	**Roth IRA**	**Traditional 401k**	**Roth 401k**
Tax savings at time of investment If you are in a lower income tax bracket when you retire, you will pay less in taxes overall You can invest in a wide variety of funds, bonds, and other options	Tax-free withdrawal on principal and all earnings No minimum withdrawal requirements You can invest in a wide variety of funds, bonds, and other options	Tax savings at time of investment If you are in a lower income tax bracket when you retire, you will pay less in taxes overall If your employer matches any of your contributions, that's free money Money is automatically invested from your income each pay period You may be able to borrow against your 401k in an emergency	Tax-free withdrawal on principal and all earnings If your employer matches any or all of your contributions, that's free money Money is automatically invested from your income each pay period You may be able to borrow against your 401k in an emergency

Disadvantages			
Traditional IRA	**Roth IRA**	**Traditional 401k**	**Roth 401k**
Minimum required distribution at 70½ may not fit in with your retirement plans If you are in a higher income tax bracket when you retire, you will pay more taxes overall Not everyone qualifies due to income limits	Not everyone qualifies due to income limits	Minimum required distribution at 70½ may not fit in with your retirement plans You can only invest in funds and other instruments offered by the 401k chosen by your employer If you are in a higher income tax bracket when you retire, you will pay more taxes overall	Minimum required distribution at 70½ may not fit in with your retirement plans No initial tax benefit Not all employers offer this option You can only invest in funds and other instruments offered by the 401k chosen by your employer

Contributions			
Traditional IRA	**Roth IRA**	**Traditional 401k**	**Roth 401k**
Pre-tax dollars	Post-tax dollars	Pre-tax dollars	Post-tax dollars

Is Money Taxed When Withdrawn at or After Age 59½?			
Traditional IRA	**Roth IRA**	**Traditional 401k**	**Roth 401k**
Yes	No	Yes	No (provided you have had the account for at least five years)

2014 Contribution Limits (≤49 years old)			
Traditional IRA	**Roth IRA**	**Traditional 401k**	**Roth 401k**
$5,500 total (that is, you can't put, say, $4,000 in a traditional IRA plus $2,000 in a Roth IRA)		$17,500 total (that is, you can't put, say, $14,000 in a traditional 401k plus $5,000 in a Roth 401k)	

2014 Contribution Limits (≥50 years old)			
Traditional IRA	**Roth IRA**	**Traditional 401k**	**Roth 401k**
$6,500 total (that is, you can't put, say, $4,000 in a traditional IRA plus $4,000 in a Roth IRA)		$23,000 (if your employer allows "catch-up" contributions) total (that is, you can't put, say, $14,000 in a traditional 401k plus $12,000 in a Roth 401k)	

Employer Match			
Traditional IRA	**Roth IRA**	**Traditional 401k**	**Roth 401k**
Not applicable		Employer may put in extra money equaling some or all of your contribution; for example, some employers match up to 4 percent of your income. Employer matches for both traditional and Roth 401ks go into pre-tax account	

Income-Based Phase-Out			
Traditional IRA	**Roth IRA**	**Traditional 401k**	**Roth 401k**
Depending on your income and filing status, you may only be able to deduct some (or none) of your contribution; detailed information is available at **www.irs.gov.**	Depending on your income and filing status, you may not be eligible to contribute to a Roth IRA; detailed information is available at **www.irs.gov.**	"Highly compensated employees" may have limits to contributions based on how much "non-highly compensated employees" contribute.	

Withdrawals/Distributions			
Traditional IRA	**Roth IRA**	**Traditional 401k**	**Roth 401k**
May begin at age 59½; must begin by 70½; withdrawals are taxed as ordinary income	You can withdraw money without penalty from age 59½ on; there is no age at which you must withdraw money; withdrawn money is not taxed. You can also withdraw contributions – not earnings – without penalty before age 59½.	May begin at age 59½; must begin by 70½; withdrawals are taxed as ordinary income	May begin at age 59½; must begin by70½ You can also withdraw contributions – not earnings – without penalty before age 59½.

Doubling Your Money: The Rule of 72

With the Rule of 72, you simply divide 72 by the compound interest you are receiving to find out when your money will double. Say, for instance, that you are receiving 3 percent interest on a savings account: 72/3 = 24. Your money will double in about 24 years (note: this assumes that you reinvest all of the interest you receive and does not account for any taxes you may pay).

You might also wonder how many times an investment will double in a certain number of years. Again, the formula is easy: Simply divide that number of years by the number of years it will take for your money to double once. Say you invest $100 at 9 percent interest and you want to know what it will be worth when you retire in 32 years.

72/9 = 8 (the number of years it will take for the money to double)
32/8 = 4 (the number of times the money will double)

That is, the $100 will double four times by the time you retire. Does that mean you'll have $400? No, it's better than that: first double = $200; second double = $400; third double = $800; fourth double = $1600.

The way money grows over time with compound interest is the reason why it's so important to save as much as possible as soon as possible, so the money has as many years to grow as possible.

Using the Rule of 72 can also help you estimate how quickly a debt will grow. Say your interest rate on your credit card is 14 percent.

72/14 = 5.14

The amount you owe will double in about five years. In reality, if you make large monthly payments, the amount you owe will shrink rather than grow. However, if you pay only the minimum, the amount you owe will indeed double in a surprisingly short time.

The rule of 72 is not exact, but it is useful.

RESOURCES

Financial Wellness: How Your Employee Assistance Program (EAP) Can Help

Your Employee Assistance Program (EAP) can provide support, guidance, and information resources to help you and your family with financial concerns and money management. Don't hesitate to call for free, confidential assistance from one of our caring, experienced, and professional counselors. The EAP can help you get a handle on your stress and help you cope with family, relationship, and work-related issues. You or a family member can call toll-free, 24 hours, seven days a week, to speak with a trained counselor.

Expert Financial and Legal Consultation Through Your EAP: Get Free Half-hour Phone Consultation and Discounted Fees

Call for a free and confidential 30-minute phone consultation per financial or legal issue. You will receive a 25 percent discount on fees if you choose to retain an affiliated attorney or financial professional for further assistance.

Your Legal/Financial Service can help with issues such as:

- Debt and budget management
- Financial planning
- Taxes
- Family law
- Identity theft and fraud
- Real estate matters
- Elder law
- Immigration issues
- Landlord/tenant concerns
- Criminal law

Your EAP Website

Whatever life issues you are dealing with – your award-winning EAP website offers a world of solutions online:

- Thousands of articles on a wide array of topics
- Podcasts and multimedia learning resources
- Checklists
- Self-assessments
- Financial calculators and helpful online tools, including money-saving ideas

- Provider searches
- Expert health and wellness information and assessments
- Spanish-language section

Ten Things the IRS Wants You to Know About Identity Theft

Criminals use many methods to steal personal information from taxpayers. They can use your information to steal your identity and file a tax return in order to receive a refund. Here are 10 things the IRS wants you to know about identity theft so you can avoid becoming the victim of a scam artist.

1. Identity thieves get your personal information by many different means, including stealing a wallet or purse or accessing information you provide to an unsecured Internet site. They even look for personal information in your trash. They also pose as someone who needs information through a phone call or email.
2. The IRS does not initiate contact with a taxpayer by email.
3. If you receive an email scam, forward it to the IRS at **phishing@irs.gov.**
4. If you receive a letter from the IRS leading you to believe your identity has been stolen, respond immediately to the name, address, or phone number on the IRS notice.
5. Your identity may have been stolen if a letter from the IRS indicates more than one tax return was filed for you or that you received wages from an employer you don't know.
6. If your Social Security number is stolen, it may be used by another individual to get a job. That person's employer would report income earned to the IRS using your Social Security number, making it appear that you did not report all of your income on your tax return.
7. If you believe you may be at risk of ID theft due to a lost wallet or questionable credit card activity or credit report, you need to provide the IRS with proof of your identity. You should submit a copy of your valid government-issued identification – such as a Social Security card, driver's license, or passport – along with a copy of a police report and/or a completed Form 14039, which is the IRS Identity Theft Affidavit.
8. Show your Social Security card to your employer when you start a job or to your financial institution for tax-reporting purposes, but do not routinely carry your card or other documents that display your SSN.
9. If you have previously been in contact with the IRS about ID theft and have not achieved a resolution to your case, please contact the IRS Identity Protection Specialized Unit toll-free at 1-800-908-4490.
10. For more information about identity theft – including how to report identity theft, phishing, and related fraudulent activity – visit the IRS Identity Theft Resource Page, which you can find by typing "Identity Theft" in the search box on the IRS.gov home page.

Adapted from the Internal Revenue Service.

Money Management 101: A Webliography

- 360 Degrees of Financial Literacy (**www.360financialliteracy.org**)
  360 Degrees of Financial Literacy, the website of the American Institute of Certified Public Accountants, provides informational articles, online tools, and FAQs related to finances, from beginning to save to buying a home to paying for long-term care. The site also features an askthe- expert feature called "Ask the Money Doctor."

- BankRate.com (**www.bankrate.com**)
  This site provides rate comparison tools for mortgages and other loans, financial calculators, and educational materials.

- Beginner's Guide to Financial Statements (**www.sec.gov/investor/pubs/begfinstmtguide.htm**)
  Visit this website to learn how to read basic financial statements (balance sheets, income statements, cash flow statements, etc.).

- Consumer Protection Offices (**www.usa.gov/directory/stateconsumer/index.shtml**)
  Locate various consumer-related bureaus by state, county, or city, including consumer protection agencies and offices that regulate banking, insurance, securities, and utilities.

- Feed the Pig (**www.feedthepig.org**)
  This colorful site features money-related articles, tips, and podcasts, as well as various calculators and multimedia educational materials.

- InvestorGuide.com (**www.investorguide.com**)
  This site offers interactive tools and resources on personal finance and investments, plus educational materials on all aspects of money management.

- IRS Forms and Publications (**www.irs.gov/formspubs/index.html**)
  This site features IRS forms and publications.

- Kiplinger (**www.kiplinger.com**)
  This site provides information on investing, taxes, retirement, and other financial management topics.

- National Foundation for Credit Counseling (NFCC) (**www.debtadvice.org**)
  This site offers information on credit, buying a home, foreclosure prevention, and dealing with debt.

- U.S. Department of Housing and Urban Development (HUD) (**www.hud.gov**)
  The HUD website offers a wealth of information in English and Spanish about buying a home. It includes information on important issues such as rights and responsibilities of lenders and borrowers, fair housing policies, laws governing realtor practices, and government mortgage programs, as well as financial calculators. Do a search for "glossary" to access a comprehensive glossary of terms related to financing and buying a home.