

# Wealth News

January 2010

Information from Alliance Credit Union and CFS\* to help keep your financial life in balance

## Consumer Sense

### New Year's Resolutions

By now you have made your New Year's resolutions to exercise, lose weight and spend more time with your family. One that should top the list is beefing up your overall financial health. The start of a new year is a great opportunity to formulate new goals, and to follow a few simple steps in pursuit of financial security. Make it a priority to: Establish your legacy that will be passed onto future generations by creating a will, take advantage of tax-savings programs offered by your employer and the federal government, and pay yourself first throughout the year by opening an account to help fund your financial goals.

### Creating your legacy

Creating a will is a difficult subject to address head-on but is necessary to ensure that your wishes are communicated to your loved ones when you're not able to do so. A will serves many functions. Most importantly, a well-structured will helps to outline how your assets are to be distributed, who will care for any dependents and your wishes regarding medical treatment should you become unable to make those decisions in case of emergency or incapacitation.

Regardless of the amount of assets you have accumulated, a will ensures that personal belongings and assets will go to the family or beneficiaries you designate. Without a will, the court makes these decisions for you. If you have minor children or adult dependents, a will is a must to ensure your wishes regarding their guardianship are communicated. A living will clearly outlines the medical treatments you do and do not want if you become physically or mentally incapacitated.

### Pain-free savings

Many employers offer tax-saving programs that have your pocketbook in mind. An often overlooked employee benefit is pre-tax deductions employers allow under "Cafeteria Plan" detailed in Sec. 125 of the IRS tax code. These plans can range from allowing employees to pay for their company sponsored benefit premiums on a pre-tax basis to offering flexible spending accounts.

Flexible spending accounts allow employees to withhold a portion of their salary on a pre-tax basis to cover the cost

of qualified out of pocket medical and dependent care expenses. Since these expenses are paid with pre-tax dollars employee's taxable income may be reduced.

### Paying yourself first

Financial expert David Bach says the secret to becoming financially independent is paying yourself first. One way to pay yourself first is to participate in a retirement savings plan. There are many different types of plans, including 401(k) and 403(b) plans, and IRAs. The one thing that makes all of these "pay yourself first" accounts attractive is that the money used to fund these accounts and the earnings on them may be pre-tax or tax-deductible dollars.

### Who can help me?

Ask your employer if they offer tax-savings programs such as retirement savings plans. A credible source of information is your credit union. Your credit union investment professional can provide guidance, and answer questions regarding a wide range of financial topics including estate planning, Traditional and Roth IRAs.

## Have You Read...

**Finish Ahead:** *Start Late, Finish Rich* by David Bach. The book describes a variety of tactics and strategies for achieving retirement success. Outlined are simple strategies to spend less, save more and make more money.

**Estate Planning:** *AARP Crash Course in Estate Planning: The Essential Guide to Wills, Trusts, and Your Personal Legacy* by Michael T. Palermo. This indispensable volume covers every aspect of planning an estate and creating a will.

### Interested in Learning More?

We specialize in helping people maintain a healthy financial balance and discover smart money strategies. Call us to set an appointment to review your investment objectives, and to discuss any questions you might have. We look forward to speaking with you!

Do you have a topic you'd like to see covered in future Wealth News newsletters? Email your questions and comments to us at: [dbarno@alliancecreditunion.org](mailto:dbarno@alliancecreditunion.org) or [gphan@alliancecreditunion.org](mailto:gphan@alliancecreditunion.org)

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