





## Credit Worthy


### Give Your Credit a Post-Holiday Checkup


The holidays are finally over. Many people spend January surveying the damage done to their waistline and wallet over the last several weeks—but do nothing about it. Why not make January the month you review and repair (if necessary) your credit report and raise your credit score?

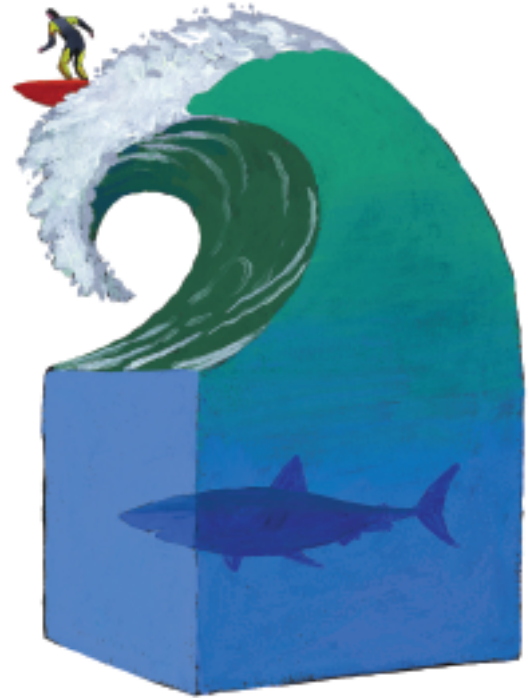
It starts with gaining a better understanding of the proper things to do to maintain the best numbers possible. Here are some New Year's resolutions that can really boost your financial future—and maybe free up some extra money to save for retirement. See how many of these resolutions you can check off between now and, say, March 31st.


 **Acquire Knowledge:** Get all three bureau credit reports and scores at the same time: You'll have to spend around \$5 to access your credit score, but you can get your credit reports for free at a Web site called [www.annualcreditreport.com](http://www.annualcreditreport.com). This particular site accesses all three credit bureaus: Experian ([www.experian.com](http://www.experian.com)), Equifax ([www.equifax.com](http://www.equifax.com)) and TransUnion ([www.transunion.com](http://www.transunion.com)). Respond quickly to inaccuracies in writing either by mail or online.

 **Resolve to pay on time:** Yes, it's obvious, but with such busy schedules, many people fail to remember the date to put the checks in the mail so they'll clear in time. Do either of the following. First, get a calendar and when bills come in, mark payment days 5-7 days ahead of due dates so the U.S. Postal Service gets your payment in on time. Second, check out the electronic bill payment service at your bank and program in payment reminders so you never forget to push that button.

 **Get current:** If you have missed payments on an account, do whatever it takes to get current and then never let yourself fall behind again. According to [myfico.com](http://myfico.com), the longer you pay bills on time, the better your credit score. Placing your bill payment schedule on a calendar will help.

 **Understand the problems with your credit:** It takes seven years to remove a collection account from your credit record, even if you've paid it off. Write down the exact month when that mark on your report will be removed, and make sure it happens.



 **Get rid of balances in sequence:** Come up with a beginning-of-the-year plan to pay off credit card balances in a sensible order. There's a temptation to move around outstanding balances if you get a good offer. Sometimes it still makes legitimate sense to do this if it cuts your borrowing cost, but make sure you don't shift balances too often—focus on paying balances off, the highest-rate ones first. And don't forget to use the “found” money to invest in your retirement account! (*Continued on page 2*)

### Reality Check

Credit scores determine far more about our lives than most people realize. Not only do these computerized three-digit measurements of creditworthiness influence how much we'll pay for a credit card or a house or car loan, plenty of non-lenders (such as future employers) like to check that information as well. And, by the way, the average credit score nationwide is 677, while generally a credit score above 720 is considered attractive to most lenders.

Sources: Experian National Score Index (September, 2006); Lendingtree.com.

**Limit your credit inquiries:** You might get enticing credit card offers and refinancing notices at a rate of five a week, 52 weeks a year, but that doesn't mean you need to check all of them out. In fact, an excess number of credit inquiries can lower your score. Use your January credit review period as part of an overall financial plan for the year that will allow you to investigate credit sensibly if you need to do it at all. And when you do investigate credit, do so within a focused period of time, optimally two weeks. And then don't go back to the well for a very long time.

**Cut up the card—but don't close the account:** Closing accounts—even those that have had zero balances for years—can be a bad idea. Lenders want to see a long record of credit management, and longtime accounts that you haven't touched in years may actually help your score because it shows you have some restraint.



# Right on the Money

Smart investors shop around for the best savings rates

Savings accounts are gaining in popularity once again, thanks to higher interest rates. Bankrate.com recently conducted a poll of people who have saved three months of living expenses as an emergency fund. The poll found that 30% of them earn 3% or less on their money—and 7% earn no interest at all! According to bankrate.com, the top-yielding money market account was paying more than 5% (as of October, 2006).\*

A sound financial plan includes investing wisely in all areas—including your emergency fund savings (you do have one, don't you?). Financial planners recommend that you have three to six months of living expenses saved up before you fund any financial goals (including retirement accounts).

So how should you invest the money in your emergency fund? Here's a quick savings account primer on some of the more popular alternatives:

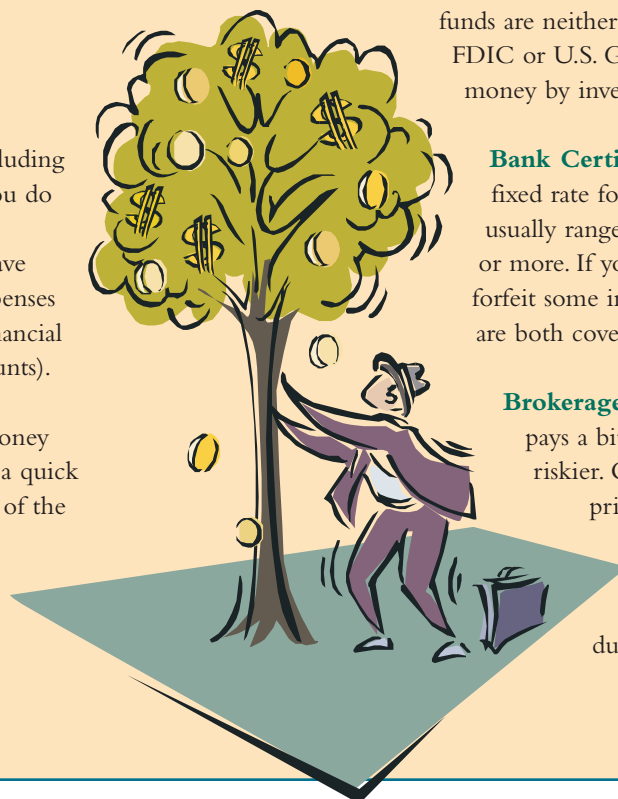
**Money market bank account.** The bank sets the

interest rate. Checks are limited to three a month; some banks also limit withdrawals. Your money is FDIC-insured up to applicable limits.

**Money-market mutual fund.** The rate fluctuates daily. You can write unlimited checks if they're above a set amount. Investment in shares of Money Market funds are neither insured nor guaranteed by the FDIC or U.S. Government. It is possible to lose money by investing in a Money Market fund.

**Bank Certificate of Deposit.** You earn a fixed rate for the life of your deposit. CDs usually range from three months to five years or more. If you must cash out early, you will forfeit some interest. Your principal and interest are both covered by the FDIC.

**Brokerage Certificate of Deposit.** It pays a bit more than a bank CD, but it's riskier. Cash it in early, and you may lose principal as well as interest if rates have risen since you bought it. The FDIC doesn't cover that loss; it only covers losses due to bank failure.



# HOUSE CALL

## Make the most out of investing in your home

Is 2007 the big year for your long-awaited home remodel? When it comes to renovating your home, it isn't how much you spend—it's how you spend it. Like any other financial investment, it pays to do your homework and understand what you are getting into. If you're smart about it, you'll get the most out of your home when it comes time to sell.

A study sponsored by the National Association of Realtors\* analyzed the effect of various housing characteristics on residential property values these days.

### Here's what's **HOT**:

- ✓ Central air-conditioning and fireplaces
- ✓ Eat-in kitchens
- ✓ Utility rooms
- ✓ In-ground swimming pools

### Here's what's **NOT**:

- ✗ Dining rooms
- ✗ Home offices
- ✗ Dens or studies
- ✗ Kitchen pantries
- ✗ Intercom systems
- ✗ In-law suites
- ✗ Above-ground swimming pools

What's popular today may not be popular tomorrow (and vice versa). If you're embarking on a project this year, here are some tips from experts on some features to consider—and some to avoid!

\*Source: National Association of Realtors 2005 Cost vs. Value Report, 2005.



## The **SMART** Money:

**Granite countertops:** At \$40 a square foot or more installed, granite is about 40 times as expensive as plastic laminate. But upscale-home buyers have come to expect it. Although honed, light-colored granite is trendy, experts say to stick with polished black stone—it's considered more elegant, and more durable.

**Carpets:** Next to a paint job, nothing makes a house look fresher. Though the Federal Housing Administration demands a minimum of 3/8-inch pad and 23-ounce density carpet, choose a half-inch pad and a 27-ounce density because buyers will notice the difference in quality. Earth tones are a safe bet for colors.

**Pull-out kitchen faucet:** It may be well worth shelling out \$300 for a European-style chrome faucet. Trendy finishes like brass and nickel cycle in and out of style, so stick to standard polished chrome. Remodeling experts recommend not redoing bathroom faucets, though. They're more a matter of personal taste, and a buyer may just replace yours anyway.

**Body-spray showerheads:** Apparently the shower has become the new power base for home remodels. Although it sounds crazy, spending around \$2,400 for a shower tower with two telescoping overhead sprays, four moveable body sprays and a handheld spray is considered smart investing right now.

**Garage storage systems:** A recent survey by real-estate brokerage Century 21 found that the garage is the most important amenity to buyers, outranking a large kitchen, formal dining room or big backyard. And what they value most about the garage is its storage capacity. For around \$500, you can get a couple of hanging storage-wall starter kits.

## The **NOT-SO-SMART** Money:

**Wet bars:** One word: *fahgeddaboudit*. These are so NOT in (unless you want to call it a "wine cellar").

**Concrete countertops:** At around \$9,000 for an average installation, they're hot and trendy. The truth of the matter is, realtors report far too many buyers hate them.

**Chandeliers:** Planning on spending \$4,000 for the Italian crystal gold-leaf model? Think again. It comes down to taste, and many buyers are more interested in recessed lighting these days.

**Structured wiring:** It seemed a good idea five years ago to spend \$5,000 to hardwire your home for broadband PC networks and stereo speakers. But wireless has come and made all that obsolete.

**Saunas:** Hey, if you just have to have it, go for it. But plan on spending around \$4,000. And like the wet bar, they are way, way down the list of what buyers are looking for today.

## Blueprint for a Successful Remodel

- Be realistic about the project timeline. The National Association of Home Builders says a major home remodeling often takes up to twice as long as you'd planned.
- Expect the unexpected. The National Association of the Remodeling Industry recommends setting aside as much as 20% of your budget for contingencies.
- Make a point of communicating consistently with your contractor all the way through the project. Schedule face-to-face progress update meetings once a week.
- Don't pay the contractor or sub-contractors too quickly. Experts recommend holding back 10% of fees until the final inspection has been completed.



# Retirement in Motion

TIPS AND RESOURCES THAT EVERYONE CAN USE

## Boomers on the Brink

*Issues facing participants approaching retirement*

The Pension Protection Act of 2006 was signed into law on August 17, 2006. It has been called the most sweeping reform of America's pension laws in over 30 years. There are a number of significant tax changes within the Act, many of which will make it easier to save for retirement. Among other things, the Act makes permanent a number of temporary tax provisions passed as part of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) that were set to go away after 2010. These include expanded "catch-up" contributions for those 50 or older. If you are 50 or older and perhaps trying to make up for lost time, you get to contribute an additional \$5,000 to your qualified retirement plan this year. This amount is over and above the regular 2007 limit of \$15,500.

## Q & A

*Common questions asked by retirement plan participants*

**What happens if I inherit someone else's 401(k) account?**

This depends on whether you are a spouse or non-spouse beneficiary and what the terms of the plan provide regarding the timing of distributions. In general terms, distribution of a 401(k) account to a beneficiary is considered income, and the recipient must pay income tax on it. In addition, the total account is included in the estate of the deceased and may therefore also be subject to estate tax.

The combination of income and estate taxes can easily take 70 percent or more of the account.

Under most circumstances, a spouse may be permitted to roll the money over to an IRA. Other strategies for a spouse may also be available. A professional tax advisor should be consulted on this point.

## Tools & Techniques

*Resources and ideas to guide you in your retirement planning efforts*

**Can we talk?** If you are looking for extra money to save toward retirement, consider checking into a more economical cell phone plan. When it comes to cell phones, it can be difficult to sift through the barrage of deals, offers and special rates, especially when you are trying to compare plans side by side. Instead of combing through the Web sites of T-Mobile, Sprint, Verizon and others, check out [www.LetsTalk.com](http://www.LetsTalk.com), a Web site that helps you figure out the best cell-phone plan for your area. One of the best features of the site is the "Comparison Tools" section. There, you can compare plans by the features or minutes they offer. Simply enter your zip code and the number of minutes you think you'll need each month, and the site gives you a list of plans that suit your needs.

## Quarterly Reminders

Now is a good time to determine some realistic financial goals that you want to accomplish in 2007. Dedicate yourself to starting an emergency fund and work on building it up to 3-6 months of living

expenses. Plan on increasing your retirement plan contribution by at least 1-2 percent. Do you have your heart set on buying a new car this year? Consider purchasing a slightly used vehicle for significantly less money. Vow to take your lunch to work more often, and maybe cut back on those afternoon lattes. And make an effort to keep the ATM card at home. It will help you avoid all those frivolous "invisible" expenses that really add up and might make it difficult, if not impossible, to fund your financial goals.

## Corner on the Market

*Basic financial terms to know*

### Stock Exchange

Marketplace where brokers and dealers buy and sell stocks of publicly traded companies on behalf of investors. Major U.S. stock exchanges include the New York Stock Exchange (NYSE), NASDAQ and the American Stock Exchange. The NYSE is where many of the largest, most actively traded companies in the United States are listed. Many countries have stock exchanges where shares of companies in that country are traded. Over the Counter (OTC) is a market in which securities not listed on an organized exchange are traded through a telephone and computer network connecting broker/dealers. OTC stocks are generally issued by smaller companies that do not meet the listing requirements of major exchanges.