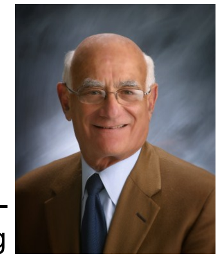
are we broke?



when you read this, the question will have been answered, at least temporarily, but as this is being written, Congress is wrestling with the impending financial default of the United States and looking for answers: Do we cut expenses by reducing social security payments, Medicare, Medicaid and military spending? Do we increase revenue by raising taxes or will an in-between compromise be reached?

Sound familiar? Most of us personally go through the same thing from time to time and the consequences may not be published in the Wall Street Journal, but they can be just as devastating for a family if we are not prepared. Our elected officials will handle the National budget deficit and hopefully do a better job of planning to avert another crisis.

Helping families plan for a secure future has taught me that whether you allocate money to insurance, retirement plans, medical expense offset, or emergency cash funds, the key component is saving part of what you earn – PAY YOURSELF FIRST. A four letter word can literally pay big dividends.

S – Build **Security** for family needs and wants through life and disability insurance. Life insurance will protect the family in the event of the premature death of the breadwinner, especially when the family has young children. Disability insurance is equally as important. Disability insurance on the breadwinner will pay a portion of the family's income if the individual cannot work due to an accident or illness. Disability insurance can be purchased for the short-term (usually less than 120 days) and long-term (often through normal retirement age). Life insurance proceeds are tax-free to the beneficiaries. Disability benefits can be either tax-free or a taxable benefit. If your premiums for the insurance are being taken out pre-tax, the benefits are taxable. If the premiums are post-tax, the benefits are tax-free, allowing you to make the most of the insurance. Be sure to ask your employer if your disability benefits are subject to tax so you can plan ahead in the case of a disability.

A – Accumulate **Assets** to strengthen your foundation through 401(k) and other personal savings. Savings and retirement plans can produce dramatic results, especially with help from an employer match and tax deferral from Uncle Sam. Find out how much your employer will contribute to your 401(k) and maximize their contribution to make the most of your 401(k) plan. If you are eligible for a Health Savings Account, this is another great way to set aside pre-tax money for future medical expenses.

V – Be **Vigilant**. We can't predict but we can prepare for some future expenses like college educations and set up a savings account for emergency situations. Take advantage of 529 education savings plans that grant you a deduction on state income taxes and allow the funds to grow tax-deferred if used for qualified college expenses. The specifics of these plans can vary from state to state, so do some research to make sure this is a viable option. Try to put even just a few dollars away per pay period in a savings account for unexpected expenses. This is a much cheaper way to finance the new vehicle brakes or A/C tune up than using credit cards.

E – Control **Expenses**. The best way to come out ahead is to be sensible and buy within your means. That doesn't mean don't borrow, but if the home you want or the new car creates a mortgage or a loan, make sure you can pay it off out of your current income.

Bottom line: Eliminate your deficit and prepare for the future. That way you will never have to look for someone to bail YOU out.

For more information, please contact your trusted advisor at Swartzbaugh-Farber,
Client Centered – Client Advocates™.