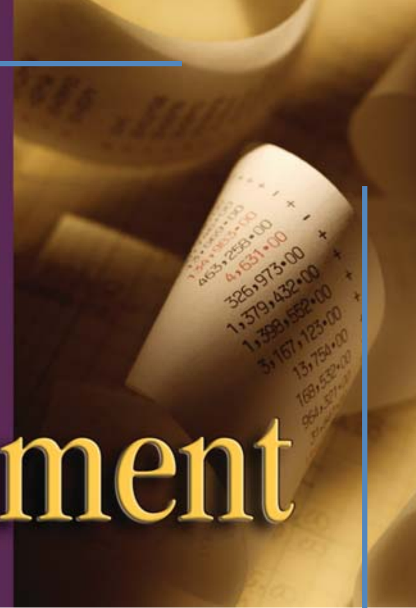
Dimitri Maraletos
CA Lic: 0767048
10221 Slater Ave., Suite 219
Fountain Valley, CA 92708-4751
(714) 593-6414 Bus
(714) 593-6104 Fax
dimitrim1@aol.com

Volume 18, Issue 4



Money Management

Managing Your Finances When Changing Jobs

Starting a new job can be an exciting experience. But as you look forward to a new career challenge, you should consider carefully how you will manage your finances while making the transition from one employer to another.

When you leave a job, your employer-provided benefits generally come to an end, unless you take action to have them continued. While you will likely receive benefits from your new employer, they may differ from the benefits your previous employer provided. Before leaving your job, think about whether there are benefits you want to take with you. If you have accumulated money in a 401(k) or similar retirement account, you will also have to decide how to handle those funds.

Keep Insurance Up-to-Date

If the employer you are preparing to leave provides you with health insurance, consider your options carefully before canceling your coverage. Your new employer may not offer medical insurance, or

Continued on page 4

Regular Reviews: Building Your Financial Foundation

Today, many people find themselves bombarded by a constant stream of financial news from television, radio, and the Internet. Yet, does all this "information age" data really help you manage your finances any better than in the past? Often, the "old-fashioned" practices, such as periodic financial reviews, lead to greater success in the long run. Why not spend a few hours reviewing your finances? The changes you make today could result in increased savings. Consider the following important items:

- **Analyze your cash flow.** When your income is greater than your expenses, the excess is called a positive cash flow. When your expenses exceed your income, the shortfall is termed a negative cash flow. A positive cash flow means that you may have funds you can set aside as

Continued on page 3

A Short Course in Insurance: Term vs. Permanent

When faced with the wide range of **life insurance** coverage options available, you may wonder which type is most appropriate to your needs. As the years go by, it will be important to review and update your plans, as you will likely find that your coverage needs will change over time. There are two basic types of coverage—**permanent** (sometimes referred to as **cash value**) and **term life insurance**. Let's take a closer at the short- and long-term benefits of each.

Permanent Life Insurance: Value for Your Dollar

Permanent life insurance not only helps provide financial security for surviving loved ones at the death of the insured, but it also serves as a "living" savings vehicle for the policyholder. Premium payments first pay the cost of the policy coverage itself. Then the insurance company, in order to build the cash values of the policy, invests the "leftover" dollars. Permanent life insurance links protection with savings, as assets and earnings accumulate throughout the life of the policy, which the policyholder can access for any purpose.

Some permanent policies provide policyholders with annual **dividends**. These dividends are the result of higher investment returns and lower expenses than were originally predicted when premium amounts were set. Dividends can be used in many ways, including as a means of paying future premiums, and they can even be reinvested into the policy to generate additional cash values. Dividends are not guaranteed.

Premium amounts are contractual and will not change as long as they are paid in accordance with the schedule set forth in the policy. Payments may continue for a predetermined period chosen by the policyholder, typically ranging anywhere from ten years after the date of purchase to the number of years until a person reaches age 100. The length of the payment period and the amount of coverage will affect the premium cost.

Permanent life insurance protection is guaranteed. As long as premiums are paid, the insured is guaranteed coverage for life in accordance with the terms of the policy. Evidence of insurability will never be necessary as long as the original policy remains in force, and benefits will never decrease.

Term Insurance: Pure Protection for Your Dollar

In a term insurance policy, there are three basics to consider: first, the period of protection is for a predetermined, specified term; second, policies do not accumulate cash values like permanent insurance; and third, premiums may initially be substantially lower than permanent life insurance premiums.

Nonrenewable, nonconvertible term insurance for one, five, or ten years may provide the most inexpensive protection available, and this option may be advantageous for those who want to be covered while their children are underage, to back a business loan, etc. Premiums will, however, increase over the period of protection. Term insurance is also available for longer durations (e.g., to age 95), but increasing premiums may result in higher overall costs than permanent life insurance over the long term.

Term insurance may be ideal to help cover a specific need, such as an outstanding mortgage. These needs can be met by purchasing coverage for a specified period of time and at the lowest premium outlay. In fact, many companies offer decreasing term insurance in which the death benefit proceeds diminish over time (for instance, to cover a decreasing mortgage balance).

Which Product When?

Life insurance serves many purposes. In determining the coverage that's right for you, it is important to consider your short-term and/or long-term goals, your current cash position, and the coverage you can afford. A thorough review of your needs can help you choose the right policy for *your* individual situation. *MM*

Regular Reviews: Building Your Financial Foundation

Continued from page 1

savings. A negative cash flow indicates that it may be a good idea to reorganize your budget to minimize unnecessary expenses.

• **Develop a plan for special goals.** For every financial and retirement goal you establish, identify a projected cost, a timeline (how long it will take to reach the goal), and a funding method (through savings, liquidating assets, or taking a loan). Consider your goals in terms of a "hierarchy of importance." The bottom—or "foundation" tier—should include emergency funds to cover at least three months' worth of living expenses. The middle tier should include such essentials as your children's education. On the top tier, place less important goals, such as a new car, home renovation, or vacation.

• **Boost your retirement savings.** Pensions and Social Security may not provide sufficient income to maintain your existing lifestyle when you retire. Thus, it is essential to identify your retirement needs and develop a *disciplined* savings program for the future. Maximize your contributions to retirement accounts, and if possible, make "catch-up" contributions.

In accordance with the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), taxpayers who are age 50, or older, are allowed to make additional contributions to their retirement plans. In 2008, traditional Individual Retirement Account (IRA) and eligible Roth IRA holders can save an extra $1,000 a year, bringing the contribution limit for those 50 years and older to $6,000. Those with eligible 401(k), 403(b), or 457 plans can save an additional $5,000 in 2008, bringing the total contribution for older individuals to $20,500 per year.

• **Minimize income taxes.** Why give Uncle Sam any more of your money than is necessary? Consider taking advantage of all income tax deductions to which you are entitled and exploring any possible ways of reducing your income taxes. For instance, under certain circumstances, losses or expenses from prior years may be carried over to the next tax year. A qualified tax professional can help you implement a tax strategy that meets your needs.

• **Beat inflation.** Your income and retirement savings must keep pace with inflation in order to maintain your buying power. This means that if the inflation rate is currently 3%, you need to achieve at least a 3% annual increase in income just to break even. If your long-term savings plan fails to keep pace with inflation, you may be unable to maintain your current standard of living.

• **Manage unexpected risks.** As you know, life can sometimes throw you a "curve ball." Without warning, a disability or untimely death can cause financial hardship for your family. Adequate **insurance** is an important foundation for your financial plan—it offers protection to help cover potential risks and liabilities.

• **Consult your financial professional.** In today's complex financial world, everyone needs help making informed decisions. Planning can help ensure that your financial affairs are consistent with your current needs and long-term goals.

A financial review can help bring focus and clarity to your overall financial picture. In the future, you may wish to alter your plans to accommodate changing goals and circumstances. By reviewing your finances periodically and tracking your progress, you may be in a better position to build financial security and realize the retirement of your dreams. *MM*

Managing Your Finances When Changing Jobs

Continued from page 1

there could be a waiting period before health coverage begins. The new company's plan may also exclude coverage of certain preexisting conditions. If both employers offer health plans, compare the cost and coverage of both policies before making your move.

Under a federal law known as COBRA, you are permitted to remain a member of your previous company's health plan for up to 18 months after termination of employment. Because you are responsible for paying the employer's contribution to the insurance, COBRA premiums are usually expensive. But, depending on the coverage available from your new employer, COBRA may be your best choice for a limited period of time.

You may also have the option of converting other types of insurance that you have with your current employer into individual policies. Depending on the group plan, you may be permitted to convert life insurance, disability income insurance, or long-term care insurance when leaving your job.

Managing Retirement Plan Rollovers

If you have money saved in your current employer's 401(k) or comparable retirement account, you will have the choice of reinvesting, transferring, or cashing in the funds.

To keep your retirement savings on track and to avoid paying taxes, you may want to consider rolling over the funds into another qualified retirement savings account, such as a rollover IRA. It is essential, however, to do this correctly. If you fail to roll over your savings into the new account within 60 days after the distribution, you will become liable to pay tax on the funds, and sometimes a penalty. Taxes will also be owed if your previous employer makes the distribution check payable to you, instead of to a trustee of an IRA or qualified plan.

There are alternatives to the rollover IRA. Depending on your circumstances, you may want to roll over your money into a Roth IRA or use the funds to purchase an annuity.

Another option is to transfer your funds from your previous employer's retirement plan into your new company's plan. In some cases, however, it may make sense to leave the funds where they are. Find out whether one or both plans place restrictions on these options.

It is, of course, possible to take the funds in your 401(k) account as a cash distribution. For most people, however, it is better to resist this temptation. When cashing in, you will take a large tax hit and be forced to pay an additional 10% penalty if you are under age 59½. Moreover, you will forfeit the long-term benefits associated with tax-deferred earnings, making it more difficult for you to accumulate later the resources you will need in retirement.

How you handle these issues when changing jobs can have a major impact on your financial future. Before making important decisions, you may want to discuss your individual circumstances with benefit administrators at both companies and seek advice from your financial professional. *MM*

A Parting Thought...

Choosing the *right* home improvement project may pay off when the time comes to sell your home. You might get back your investment in a remodeled kitchen or added bathroom. But, some improvements can make your home harder to sell.

The limits on selling prices for homes are generally well defined in any neighborhood. If homes in your neighborhood range from $175,000 to $250,000, your top resale price will most likely be equal to or less than $250,000, no matter how many rooms, baths, hot tubs, or skylights you add.

As you consider remodeling, keep in mind one general rule of thumb—it is usually difficult to recover any costs that raise the value of your property more than 20% over that of similar homes in your neighborhood.