

Practical Tips To Enhance Your Financial Freedom



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Don't Pass Up on Free Money

Stock and bond funds in 401(k) accounts have taken a beating this quarter, leaving many investors worried about their long-term financial goals. A recent *USA Today* article, however, revealed something much more worrisome: almost half of all Americans 25 to 34 years-old are not saving for retirement at all – even those with employers who match contributions to their 401(k) or similar retirement plans.

If you fall into this category, here's something to consider: if you had \$1,000 in a CD or bank account paying 7.2% (and good luck finding one that high), it would take 10 years to double your money. 10 years! However, if you deposit that same \$1,000 in your employer's retirement plan, it could double overnight. For many plans, the employer will generally match about half of your total contributions for up to 6% of your salary. In other words, if you save 6%, your company will give you 3%. That's 9% of your salary saved in your first year alone. Talk to your company's human resources department to find out how to start a 401(k) plan.

Sky-high Airline Fees

The major airlines are doing anything they can to cut costs and increase revenue as they struggle with record jet fuel prices. Measures include massive lay-offs, decreasing the number of domestic and international flights, increasing airfares, and tacking on additional fees. You've probably heard about fees for second and even first checked bags by now, but did you know that some airlines have also increased fees for changing tickets and have now begun charging for those "free" tickets you thought you "earned" through your frequent-flyer programs?

The real problem, however, is that not all fees are equal, as different airlines have different fees for the exact same services. What this means is that shopping for the lowest flight is going to require a bit more investigative work than just finding and booking the lowest fare you can find on the Internet. Airlines don't calculate these costs in the "real price" of the advertised ticket. You'll have to find out for yourself and then consider the cost of all the "extras," including food, drinks, entertainment, and where you sit on the plane.

ARM Yourself Against Higher Payments?

According to CoreLogic, nearly 300,000 subprime adjustable-rate mortgages (ARMs) are scheduled to reset throughout the summer months of 2008. For many borrowers, this means higher monthly mortgage payments with a rate increase of 1 or 2 percentage points – or more in some cases – when their loan adjusts.

The peak month for the resetting of mortgages, however, will come this October when, according to Credit Suisse, more than \$50 billion in mortgages are scheduled to adjust to a new rate for the first time. If you or someone you know has an ARM, be proactive. Find out how much your payments will increase before your loan adjusts this fall. Remember, while interest rate cuts from the Federal Reserve over the last year will definitely help some borrowers, many others could have trouble making increased monthly payments with food and fuel costs on the rise – especially if the Fed begins increasing its key interest rates in order to fight inflation.

It's also important to note that credit guidelines have tightened dramatically in the last year or so, and it may be harder for you qualify for a fixed-rate product if we don't have enough time to address certain credit issues. So don't wait until October. Give us a call today. We'll review your adjustable-rate mortgage with you and see what's best for your individual goals and needs.

IRS Pumps Up the Savings

Rocketing gas prices this year have prompted the Internal Revenue Service to increase the standard mileage-rate deduction for qualifying business-related driving expenses by 8 cents per mile. This means that the rate in effect for the first half of 2008 (January 1 to June 30), which is 50.5 cents, will jump to 58.5 cents for the second half of the year (July 1 to December 31) – that's almost 16%!

Normally the IRS updates this rate only once a year in the fall for the next calendar year. That means this is the first special mid-year increase since 2005 when gasoline prices spiked after Hurricane Katrina. And while an additional 8 cents a mile may not seem like much, it can really add up over a six-month period, so it is definitely worth it to keep accurate records for your 2008 tax return. If you're not sure how this new deduction affects your business, give us a call. We work with some great CPAs and tax preparers in our community and will gladly refer you to someone you can trust.

