

Money Matters

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S2 Financial Consulting

Eight Steps You Can Take to Eliminate Debt

Recommended Reading

- *Your Money or Your Life* by Joe Dominguez and Vicki Robin
- *How to Get Out of Debt, Stay Out of Debt, and Live Prosperously* by Jerrold Mundis
- *Girl, Get Your Money Straight* by Glinda Bridforth

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Debt reduction is a concern for many people. Here are eight steps you can take to get your debt under control:

- Don't accumulate new debt! Cut up those credit cards or file them away in a drawer. Put them in a bowl of water in the freezer if you have to. The first step in eliminating debt is not to add to the existing balance.
- Get rid of the temptation and reduce the amount of junk mail you get. Opt out of new credit card offers by calling 1-888-5-OPTOUT.
- Ask your creditors to reduce your interest rates. If you always make your

payments on time, your creditor may be willing to work with you and lower the interest rate on your debt.

- Always pay more than the minimum amount due. A \$1000 balance at 0% APR will take over **FIVE YEARS** to pay off if you only pay the minimums.
- Use an automatic bill payment service in order to avoid incurring late fees.
- If you anticipate a tax refund, consider using the lump sum to reduce or eliminate your credit card debt.
- If you have a good credit

score, consider consolidating your debt by taking advantage of balance transfer offers.

- DON'T trade unsecured debt for secured debt. Resist the urge use a home equity loan to pay off your credit cards.



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S2FC appreciates your business as well as the business you send our way. Because of that, we offer valuable incentives for referrals. Whether you receive cash off your next service, magazine subscriptions or gift cards, referrals save you money.

When you recommend S2FC

to friends or family members, please be sure to tell them to mention your name.

Also, starting in 2006, we will offer discounts for repeat customers. This is just another token of appreciation for your continued support.



Get Your Financial House in Order for the New Year

The start of a new year is the perfect time to start a new savings plan and make sure you have your financial house in order.

- Take the time to determine whether you're sufficiently insured—health insurance, disability insurance, life insurance, auto insurance, homeowners/renters insurance. Consider increasing your deductibles in order to lower your premiums.
- If you haven't done so already, start contributing to a 401(k) or an IRA.
- Find ways to save money around the house—install programmable thermostats, add weather stripping around doors and windows, utilize or install ceiling fans, install a water heater blanket and use compact fluorescent light bulbs.
- If you haven't done so in the last six months, get credit reports from all three credit agencies. Check for errors or accounts that don't belong to you.
- Tally up how much money you spent on holiday gifts and work to save that amount over the

course of the year so that you don't go into debt or bust your budget next Christmas. Many banks and credit unions offer "Christmas club" accounts.

- Last but not least, remember to give yourself some "fun money". Saving money can be a lot like dieting. If you restrict yourself too much, you'll be tempted to splurge and undo all your hard work.



Don't Get Stung by the Gift Tax

Many people are unaware that giving any one person more than \$11,000 in a calendar will trigger a gift tax by the IRS. For 2006, the annual exclusion amount has increased to \$12,000. However, there is a lifetime limit of \$1,000,000 that may be given without paying a gift tax. There are exceptions to this rule though—

- Tuition or medical expenses paid on another person's behalf but paid directly to the educational or medical institution
- Gifts to your spouse
- Gifts to a political organization
- Gifts to charities
- Money given to your minor, and dependent child

If you make a gift that is taxable, you must file Form 709, U.S. Gift (and Generation-Skipping Transfer) Tax Return. Even if you do not owe a gift tax because you have not reached the \$1,000,000 limit, you are still required

to file this form if you made a gift that does not qualify as excludable. The IRS needs to keep a running tab of your \$1,000,000 lifetime exemption.



IRS Warns of e-Mail Scam about Tax Refunds

The Internal Revenue Service recently issued a consumer alert about an Internet scam in which consumers receive an e-mail informing them of a tax refund. The e-mail, which claims to be from the IRS, directs the consumer to a link that requests personal



information, such as Social Security number and credit card information.

This is nothing more than a scheme that attempts to trick the e-mail recipients into disclosing their personal and financial data. The practice is called "phishing" for information.

The IRS does not ask for personal identifying or financial information via unsolicited e-mail. Additionally, taxpayers do

not have to complete a special form to obtain a refund.

Don't be fooled by hucksters who attempt to prey on the innocent. If you have concerns about your income tax return, contact the IRS directly at 1-800-829-1040

More information on this topic can be found at <http://www.irs.gov/newsroom/article/0,,id=151065,00.html>



Helping you architect your future

Phone: 678-391-4820
Fax: 678-391-4821
E-mail: info@s2fc.com

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WWW.S2FC.COM

S2 Financial Consulting (S2FC) is a Georgia-based company providing fee-based financial planning to individuals and small businesses.

We provide cash flow management, income tax planning and preparation, education and retirement planning as well as estate planning. In addition, we can help assess your insurance and investment needs.

Whether you need budget help, a comprehensive financial plan, help making life decisions or wealth-building strategies, S2 Financial Consulting is here to help you achieve your personal and financial goals.

The process starts with an initial, complimentary consultation in order to assess your current life and financial situation as well as define your objectives. After this consultation, if you choose to utilize our services, we will formulate a plan of action crafted specifically for you as well as assist you in implementing your plan. In addition, we will review your progress with you on a quarterly, biannual or yearly basis in order to assure your financial success.

Questions and Answers

This section will be dedicated to answering reader questions.

If you have a question you'd like to see answered, please submit it via e-mail to news@s2fc.com



Q: Should I save first or pay down debt?

A: This is one of the most frequently asked questions. The answer will vary according to your situation. However, I generally suggest establishing some level of savings (even as little as \$500) before accelerating debt payments. Next, you should determine what is "good debt" such as mortgage loans or student loans and what is "bad debt" such as credit card debt. Pay off the high-interest bad debt first and then move on to investing and reducing good debt.

Q: I'm having a hard time saving money. Do you have any ideas or suggestions?

A: Set up automatic transfers into your savings account—out of sight, out of mind. Don't pay unnecessary fees—late fees, ATM withdrawal fees etc. Those small fees can add up over the course of a month. Consider taking your lunch to work if you don't already. \$5/day for lunch at work is \$100/mo. That's not chump change. Cut expenses if possible. Do you really need the super deluxe cable package? With a little creativity, you will be able to increase your savings in no time.