

Five Ways to Use your "Rebate" Check!

Vol.3 Issue 5 May 2008

Last week, President Bush announced that the check is in the mail. The federal economic stimulus package provides for "tax rebates" of \$600 per person and up to \$1,800 for a family with dependent children.

How should you use this money? The government wants you to spend it, and the faster the better, so it will stimulate the economy. While spending the money might be best for the U.S. overall, does it make sense for you individually? I would frame the question from the perspective of whether an individual's finances are in balance, and whether you are on a path to achieve long-term goals.

If you're not saving sufficiently, you might consider the rebate as "found" money, not money you use in your weekly or monthly budget. Here are some ways to use that money to strengthen your long-term financial security.

1. Use your rebate to create or add to your emergency fund. Having an account with three-to-six months of living expenses that you can access in an emergency is ideal, and can avoid problems when unexpected expenses occur.
2. Pay off your Credit Card debt. If you are carrying a balance, use the rebate to reduce your principal. A \$1,200 reduction on an 18% credit card balance will reduce your debt by \$1,435 during the first year.
3. If you haven't fully funded your IRA for 2008, make a \$600 contribution to both spouse's IRA. That one time contribution alone could make \$5,600 at 8% growth after 20 years. If you are lucky enough to have 40 years left before retirement, you could have \$26,000.

If you have already completed all of the above and are progressing with your financial plan then...

4. Give the money to charity and claim that amount as a tax deduction on your 2008 tax return, if you itemize using Schedule A of Form 1040.
5. If all else fails then spend it, but "Whether your rebate is large or small, you are wise to determine now what you will do when that check arrives," says Sheryl Garrett, CFP®, founder of the Garrett Planning Network. "Don't fritter it away or spend it on a whim."

Buck Financial Advisors provides independent, commission-free financial advice for people from all walks of life. When you or someone you know needs help, Buck Financial Advisors is there. See www.buckfinancial.com for more information.

ASK A CFP® PROFESSIONAL!



Charles Buck CFP®

"Don't just retire from something; have something to retire to"

H.E Fosdick

Why should I stay invested in this market?

The problem with "timing" is, you not only have to know when to get out, but you have to know when to get back in. In other words you have to be right twice.

About 70% of the time the stock market goes up. If you are invested you have a 70% chance that you will make money in any given year. But, about 1 in 6 years, even a diversified portfolio will have a negative return.

On October 11, 2007 the S&P 500 Index reached an all time high of 1576, by March 14, 2008 it had given back 19%. April 25, it closed at 1395, a rise of 9.3% in 40 days. I can't tell you if this is a start of a rebound or a bear market rally.

Losing money whether real or "on paper" is not fun, but it is time in the market not timing the market that is important. Five years ago today, the S&P 500 index was at 918, up 40%.

If you are still accumulating investments, Wall Street is having a sale, continue to invest regularly. If you are in or nearing retirement; keep enough "short term" fixed income to cover your living expenses for 2-3 years and enough intermediate term fixed income to cover your income needs for a total of 5 years. This will greatly reduce the probability that you will need to sell into a bear market.