# CHRIS SARAS' FINANCIAL NEWS DIGEST

## MONEYLINE

# Don't Bail Out. Diversify.

*Courtesy of Chris Saras*

Worried about the stock market but don't want to bail out? Consider cutting your risk through diversification.

It's one of the golden rules of investing: Make a plan and stick with it. But when share prices head south (the risk of which increases as the bull market continues to age), many investors find it difficult to follow the prime directive. They panic and chuck their stocks at precisely the wrong time: when prices are down. One excellent defense against such bone-headed behavior: Cushion your portfolio against shocks with a balance that keeps you on track but offers a steadier ride.

One of the easiest ways to cut risk is to trim your portfolio's stock allocation. Most investors should have been doing that in recent years when they rebalanced their portfolios; in most years that meant selling stocks which performed well and moving the proceeds into the bond market or cash instruments. But rebalancing isn't always as simple as it seems to be. Not only does it take time and effort, but it also takes strong conviction to sell stocks when prices are rising.

**Chris Saras, LUTCF**
Financial Adviser
CA Insurance License #0F58100

110 1st Street SW
Orange City, IA 51041

(712) 737-6477
www.ChrisSaras.com

***Did you know that tax refunds are delayed for identity-theft victims?***
People who have had their identities and tax refunds stolen often face extended waits while their cases are resolved. The IRS took an average of 278 days to resolve cases of identity theft in 2013.

*Source: The Washington Post*

***Beware of phony mystery-shopping job offers on LinkedIn.***
Being a mystery shopper entails shopping at a store and reporting on the experience. Scammers have used e-mail and regular mail to promote nonexistent mystery-shopping jobs for a long time. Now some scammers are taking to LinkedIn. They pose as members of IntelliShop, a legitimate mystery-shopping company. Unlike legitimate mystery-shopper assignments, they ask victims to pay up-front to get a job — but the job does not exist. Or they ask a victim to cash a large check written by the scammers; use some of the money to shop at specified stores; keep part of the remainder; and wire the rest back to the supposed agency. The scammer keeps the wired money. The check eventually bounces, and the victim must make good on it.

*Source: Kiplinger.com*

*"Money is better than poverty, if only for financial reasons."*

— Woody Allen

# Get Financial House In Order Before Having Children

*By Jill Schlesinger, Tribune Content Agency*

Birth rates are up for the first time since the recession began, and economists are cheering. It's not that the practitioners of the dismal science are lovers of baby showers; rather, they say that the new mini baby boom is yet another example of an improving economy.

According to cdc.gov, births in the United States reached a record high of 4.3 million in 2007, when the economy was still percolating. But when the Great Recession hit, the birth rate began to plummet, falling below a level necessary to keep the population steady. The drop-off was to be expected, as financial uncertainty discourages couples from having babies.

Thankfully, six years after the end of the recession the trend is finally reversing. Nearly 4 million babies were born last year, coinciding with an improving economy and consumer confidence.

It makes sense that people have to feel more secure about their job prospects to make the big financial plunge into parenthood. According to the most recent data from the Department of Agriculture, it costs an average of $245,000 to raise a child — and that's before factoring in college!

So what can families do to prepare for the financial burden of having a child? First, calculate anticipated expenses, including unreimbursed medical claims. Ask your health care provider about what is and is not covered. Ask about co-pays, co-insurance, deductibles, out-of-pocket costs, birthing and other classes and specialty tests. If you are able to use a flexible spending account (FSA) or health savings account (HSA), increase your contributions and let Uncle Sam shoulder some of the burden.

Also factor in unpaid time off, clothes, diapers and food — and assume that many of these costs will be part of your monthly nut for some time to come. Then try to set aside the extra money in an emergency reserve fund ahead of time. If cash flow is already tight, talk to your family about skipping the frivolous gifts and focus instead on the must-haves.

Next, if you don't have life insurance or rely on employer coverage, it is time for action. Both parents need to buy enough insurance to cover living expenses for survivors; the lump sum amount necessary to fund future educational expenses; and/or money to provide for the future retirement needs of the surviving spouse.

Finally, a child on the way should prompt you to take care of your estate planning. For many, a simple will (including guardianship instructions), power of attorney and health care proxy may do the trick. However, if the situation is more complicated, you may also need a trust. In all cases, I recommend engaging a qualified estate attorney. This is one area where paying up for advice and expertise is worth it.

# Fabulous Freebies

*By Kiplinger's Personal Finance*

We've rounded up six great products and services that are absolutely free.

**Free credit scores:** It's getting easier to get your free FICO score. Barclaycard, Citibank, Discover, Pentagon Federal Credit Union and Sallie Mae already offer free FICO scores to many of their customers; Bank of America and


Ally Financial plan to later this year. Sites such as Mint.com, Credit.com, CreditKarma.com and CreditSesame.com also offer free scores. They aren't FICO scores, but they are still useful indicators of your credit health.

**Free lodging:** Worldwide Opportunities on Organic Farms (WWOOF) lets travelers stay and eat free on an organic farm in the U.S. or overseas in exchange for a few hours' help each day. In the U.S. alone, there are 2,068 host farms and gardens (volunteers must pay a yearly subscription fee of $40; fees vary depending on the country in which you volunteer). Or try a house sit or exchange (kiplinger.com/links/houseswap) to stay in homes all over the world for just the cost of a membership and sometimes providing a small service.

**Free prescriptions:** Several grocery store pharmacies, including Meijer, Price Chopper, Publix and Schnucks, fill prescriptions for some antibiotics for free. Meijer, Price Chopper, Publix and ShopRite also offer free diabetes medications and supplies.

**Free tuition:** Forget about student loans. Berea College, in Berea, Ky., provides its students a four-year tuition scholarship worth nearly $100,000. College of the Ozarks, in Missouri, requires students to participate in a work program rather than pay tuition.

**Free music and books:** Get your groove on with free music streaming services, such as Pandora and Spotify. You can access them online, or install their handy apps to take the tunes anywhere. Project Gutenberg has more than 46,000 free e-books available for download to Kindle, Android and Apple products. Amazon, Barnes & Noble and BookBub.com also offer free e-books. And don't forget your public library. Most libraries offer books, magazines, audiobooks, e-books, video games, CDs and DVDs free (as long as you return them on time, of course).

**Free car maintenance:** Auto service chain Pep Boys offers five free services, including alignment check and brake inspection - no purchase necessary. If you're buying a new car, consider the value of free maintenance programs offered by various automakers. Free maintenance on a luxury brand, such as BMW, Cadillac or Volvo, can save you a lot because service costs are much higher than they are for nonluxury brands.


"I strongly advise you to diversify your portfolio. That way it will take longer to figure out how much you've lost."

***Consider limiting 529 plan withdrawals*** if you fall within income limits that let you take advantage of the federal American Opportunity Tax Credit (AOTC). Parents with up to $160,000 modified adjusted gross income on a joint return or single filers with up to $80,000 can claim up to 100% of the first $2,000 spent on tuition and certain other expenses and up to 25% of the next $2,000—for a theoretical maximum credit of $2,500. But this applies only to bills paid without using money from a 529 plan or a tax-favored Coverdell education savings account. If you meet the income limits, check with your tax adviser about whether it is better to use 529 funds or pay $4,000 in qualified expenses from a savings account or elsewhere. The AOTC is due to expire in 2017 and be replaced with a less generous credit with lower income thresholds.

*Source: The Wall Street Journal*

*"Money may kindle, but it cannot by itself, and for very long, burn."*

— Igor Stravinski

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Orange City, IA 51041



# Why Buy Life Insurance After Age 70?

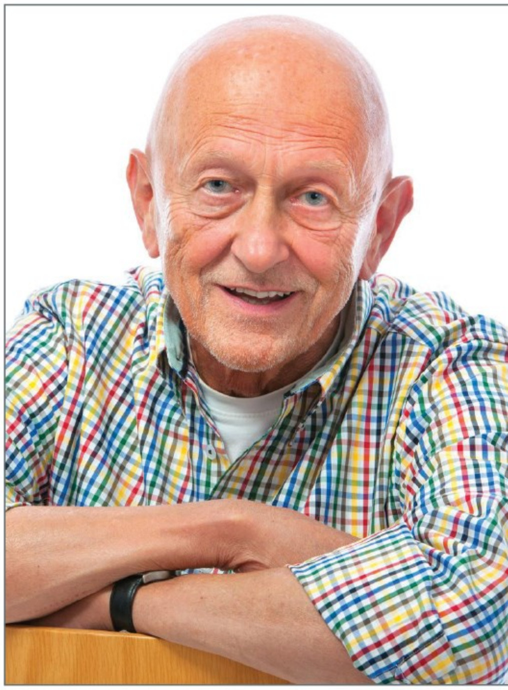
*By Kimberly Lankford, Kiplinger's Personal Finance*

Starting the year you reach age 70 1/2, you are required to take distributions from your traditional IRAs every year. But what if you don't need the money and would like to maximize a payout for your heirs?

You can buy a life insurance policy with a guaranteed death benefit and set aside your required minimum distributions to pay for premiums. Your heirs will inherit the proceeds free of income tax, and if your estate is large enough to be hit by the federal estate tax, you can do some planning so that the insurance money avoids that tax, too.

Generally, you'll want to buy a permanent policy, such as Universal or Whole-Life, which builds up cash value. "You want a policy that will last as long as you do," says Deana Arnett, a certified financial planner with Rosenthal Wealth Management Group, in Manassas, Va. But, she says, those types of policies are more expensive than term life initially.

Your age and health will factor into the premium costs, as will the amount of the death benefit you want, says Raymond Caucci, a senior vice-president at Penn Mutual Life Insurance, in Horsham, Pa. A 71-year-old man deemed a standard risk who wants a policy with a $1 million death benefit might pay $40,000 to $50,000 a year in premiums, Caucci says.



Beneficiaries can use the proceeds to pay the taxes on distributions from their inherited IRAs. Also, having the extra pot of money may encourage nonspouse beneficiaries to take RMDs based on their life expectancies rather than making large withdrawals to pay expenses, such as send a child to college.

If you can't qualify for life insurance, consider putting the money in a brokerage account—your heirs could use the money for expenses and still "stretch" their inherited IRAs over a lifetime without having to liquidate the accounts.