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Client Update

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Money Management Tips for Newlyweds

As you start your married life, you probably have specific financial goals. Some of these may involve the purchase of big-ticket items such as a car, new furniture or major appliances. You also may want to move, either to a bigger apartment or your own home. Because most lenders rely on credit scores during their evaluation of a credit application, your credit history will affect your ability to realize all these goals. Now is the time for both you and your future spouse to request copies of your credit reports and scores and set aside some time to review them together to help ensure your future financial health. Credit scoring is almost always used when you apply for a credit card, auto loan, auto insurance, a mortgage, or an apartment lease. Having your credit report scored for your personal review is an important tool for helping you understand what you are doing right in managing your credit and what you can do to improve your credit habits and reduce your risk.

Taking a few minutes to check your credit report and credit score gives you the knowledge you need to plan for your future together. As you merge your lives and your finances, here are a few things to keep in mind:



- Notify creditors if you change your name. They will update your name with the credit reporting agencies when they next report your account information.
- Share your credit reports with each other. If either you or your spouse-to-be has had trouble getting credit alone, try setting up a joint account to capitalize on your shared income and the other person's stronger history. The joint account will be reported in each name so each credit history will benefit from a positive account paid as agreed.
- Check your credit score. The national average credit score is 675; for men the average is 673, for women 680.
- If you discover that your credit history is not as good as you would

like, you can take steps, such as paying your bills on time or paying debt, to make it less risky.

- Keep in mind that your credit report is always changing based on information provided by creditors. It is important to check your credit report regularly, so you can stay on top of changes before they impact your credit rating.

http://www.freemoneyfinance.com/2007/01/money_managemen.html

Bigger Payments Are Incentive to Eliminate Credit Card Debt

Eliminating credit card debt is for many a distant dream. But this year, with most credit card companies doubling their required minimum monthly payments, consumers will be more diligent about replacing their card debt with an alternative such as a home equity loan or a 401(k) loan, predict the retirement plan experts at Lamaute

Capital, Inc. Millions of Americans will find it difficult to pay the additional hundreds of dollars more each month on their credit card bills. If not careful, a large number of cardholders will fall deeper in debt trouble because being just one day late with a payment can boost their cards' interest rates to as high as 29 percent. The alternative of a home equity loan is well known. But the 401(k) loan is also becoming popular because:

- There's little paperwork, and there's no credit check.
- The interest paid on a 401(k) loan is credited to the 401(k) account, so borrowers pay interest to themselves, not to a bank or other lender.
- There are no taxes and penalties on early withdrawal as long as the loan is repaid on time according to the loan terms.
- The Interest rate on many 401(k) loans is set at prime rate and is fixed for 5 years, the normal term of a 401(k) loan.

Employees should ask their employer if their 401(k) plan allows loans. On the other hand, independent contractors and individuals



with their own business (part-time or full-time) can open their own Solo 401(k) plan with a loan feature. It's possible to transfer funds from IRAs, 401(k) from a previous employer, SEP plan or other qualified retirement funds to a Solo 401(k) plan and borrow up to a maximum of \$50,000 or 50% of the Solo 401(k) account balance, whichever is less. Make sure, however, to follow the 401(k) loan guidelines. Defaulting on a 401(k) loan may not ruin your credit but it is very costly. The defaulted 401(k) loan balance will be subject to tax and a possible 10 percent tax penalty.

<http://www.send2press.com/newswire/2006-01-0111-001.shtml>

Use a Credit Card to Pay Taxes

If you ever had a doubt that credit card companies only had their best interest in mind, you can see it clearly in the recent escalation of credit card offers aimed to entice you to put your taxes on your credit card. This includes such cards as Chase offering double mileage on the United Mileage Plus Signature Visa card and American Express offering a similar promotion on its Delta and Starwood credit cards. While in most cases there is an opportunity to use a credit card to your advantage by gaining the reward the credit card offers and then paying off the balance before the due date so as not to incur any charges, paying your taxes by credit card comes with a 2.49% surcharge to third-party companies that process the transaction. This means that even if you pay off your credit card on time, you're going to end up with a net loss even with the extra incentives from the promotions. So why would credit cards be promoting the use of their cards to pay taxes owed? Those that owe usually owe a significant amount that hasn't been allocated in their budget meaning that they will not be able to pay off the entire balance right away. That's a great incentive to the credit card companies to get you to make the payment through their card. Credit card companies also know that consumers are no longer shy about putting their taxes on their credit card. Credit cards are already taking the lead as a payment method with more people using them than having the money electronically transferred from their bank accounts. The use of credit and debit cards to pay taxes increased 54% from 2005 to 2006, according to the IRS. Their use is predicted to increase even further this year. In the end, it makes little financial sense for most people to use your credit card to pay for your taxes even with the bonus reward offers. You should definitely consider other payment options if you have a choice.

<http://www.send2press.com/newswire/2006-01-0111-001.shtml>

Got Refund? Then Get out of Debt!

If you are a savvy taxpayer and have already filed your tax refund you are to be commended. An alarming number of filers wait until the eleventh hour to stand in line at their central post office drop off window and squeak their payments in under the wire. But, if you are eligible for a refund, it only makes sense to file as early as possible, right? So, assuming you are not only savvy, but are also one of the lucky Americans that will get a tax refund this year, you can really count yourself as fortunate. But, before you take your winnings to the track (or the mall), examine your credit card debt situation for a moment. The average person in this country has over \$9,000 in credit card debt. With the average tax refund expected to be over \$2,100 this year (according to the Internal Revenue Service), there is clearly an opportunity to exercise some discipline and apply this windfall to the 9,000 pound gorilla sitting in the room. Even if, in this scenario, a large amount of credit card debt would be left over, at least it's a big step in the right direction. Becoming debt free can require numerous steps, not the least of which is changing your fundamental behavior of spending money you don't have. But a primary step is to begin doing whatever possible to start chipping away at the mountain. And, a big tax refund can be like a few tons of dynamite in terms of blasting away a chunk of that mountain of credit card debt. With the average credit card rate hovering over 14%, consumers are paying a dear price for last months (or last year's) financial party. And the hangover from that party just keeps on hanging around unless you confront the enemy. Recent increases in minimum payments required by banks and credit card issuers have helped force consumers to at least start attacking the principal of their outstanding balances, if only a tiny bit at a time. So, while it might have taken 30 years of paying only minimums to get out of debt before, it now takes only 15 years. But that's still insane when you think about all the interest paid on those original, if ill-advised, purchases. Other prudent steps to get out of credit card debt and becoming debt free include transferring balances over to a 0% APR credit card (i.e. a balance transfer credit card) or some other type of debt consolidation loan. Then, you can apply all your future payments to the principal and not have to waste any more on interest. Tax refunds are always a welcome surprise this time of year. Be sure to use yours wisely.

<http://www.creditcards.com/Got-Refund.php>

