JOE LEE'S

FINANCIAL NEWS DIGEST

A COMPILATION OF INFORMATION AND IDEAS FOR EFFECTIVE MONEY MANAGEMENT

Money line

Challenging Your Assessment

By Joe Lee

Like two-thirds of American homes, your home may be worth less than the amount of its assessment because assessment cycles have not caught up with the drop in home values. As a result, you could have a better chance of paying lower property taxes by challenging your current assessment. Here are a few tips gleaned from some of the experts in this area.

First, check the statistics on your home for accuracy at your local assessor's office. If there are errors this may be an easy fix. Compare your property with similar homes in your neighborhood and if their assessments are lower than yours, you may have a case that yours should be too.

Next, gather sales-price data for several comparable homes sold in recent months and use the information to argue that your home's market value has declined. You may want to consult with a real estate professional for help in this area.

Be aware of one important issue: If your tax bill is due before you resolve the lower assessment, pay the higher bill amount in full to avoid the possibility of the county placing a lien on your home.

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Financial Front

NEWS BRIEFS AND HIGHLIGHTS FROM THE FINANCIAL WORLD

Credit counselor Sandy Shore says credit card "protection plans" are not worth the cost because of their many loopholes. Credit card issuers offer these plans as a way to pay for all or some of your credit card bill if you become disabled, lose your job, or die, and they are currently very popular during this time of high unemployment and mounting debts. The monthly fee ranges from 35 cents to 99 cents per $100 of debt. However, the plans may not apply under various circumstances; for example, if you lose your job for performance reasons, if you are disabled but can do some other kind of work, or if you have other disability coverage. *A better plan:* Build up your own protection through an emergency fund or by purchasing extra life insurance.

You can use a Roth IRA to buy an immediate annuity; just be sure you meet the holding and age requirements for the Roth account itself. Withdrawals from a Roth annuity are voluntary and tax-free if you comply with IRS rules. This type of annuity can be a good choice for retirees worried about outliving their income and future tax increases. *Beware:* A Roth annuity does not help deal with inflation, which erodes buying power, so only use an appropriate percentage of your assets to buy an annuity.

A home-equity lender can block your attempt at mortgage refinancing by refusing to stay in the subordinate position to the mortgage lender, who normally has first claim to the collateral (your home) in case of default. If the home-equity lender uses this technique–called "refusal to resubordinate"—the refinancing won't go through. To defend yourself, try to get a home-equity loan somewhere else or refinance your first mortgage with the bank that holds your current home-equity loan.

Overseas scammers are using equipment that calls US cell phones automatically and hangs up after one or two rings. The call may seem to have come from an ordinary area code but it is often from 649, which is the area code for the Turks and Caicos Islands, or another location where US regulators have no jurisdiction. The number connects your cell to an adult entertainment chat line or similar business, and returning the call will lead to expensive international and chat-line charges. To protect yourself, do not return a cell-phone call if the area code on the caller i.d. is unfamiliar. You can also ask your carrier to block outgoing overseas calls from your cell phone if you do not use it to make international calls.

As the recession continues, companies are buying back fewer shares in order to conserve funds. Even though share buybacks increase earnings per share–because fewer shares remain outstanding–they do cost a company cash. As a result, the percentage of firms in the S&P 1500 Index that are buying back shares in the last four quarters has dropped to 40%, compared with 52% from the previous year. And many of the firms that did repurchases bought back less stock than in the past. Nonetheless, repurchasing shares demonstrates the confidence of those companies in their cash flow and the value of their stock.

Wit & Wisdom

"Feeling gratitude and not expressing it is like wrapping a present and not giving it."

— William Arthur Ward

Tax Credits

You May Qualify For A Homebuyer Tax Credit

By Kathy Kristof, Tribune Media Services

Millions of additional people may be able to take advantage of the new and improved first-time homebuyer tax credit now, and it's not just for first-time homebuyers anymore. You may qualify.

President Obama signed legislation to extend unemployment benefits to American workers. The law also includes provisions that vastly expand the number of people eligible for homebuyer credits by boosting the income eligibility limits, giving buyers more time, creating a $6,500 credit for longtime homeowners and launching more accommodating rules for members of the military. Here are the details.

THE $8,000 CREDIT

If you were locked out of the first-time homebuyer credit in the past simply because you earned too much, there's good news.

Now you can qualify for the full $8,000 first-time homebuyer credit with a single income of up to $125,000 and married income of up to $225,000. Those who earn more will be phased out.

The credit ends completely once single income exceeds $145,000 and married income exceeds $245,000. Still, that's a big boost from the previous law that shut off the credit for singles earning more than $95,000 and married couples who earned more than $170,000.

OTHER ELIGIBILITY RULES

- You must not have owned another home for at least the previous three years.

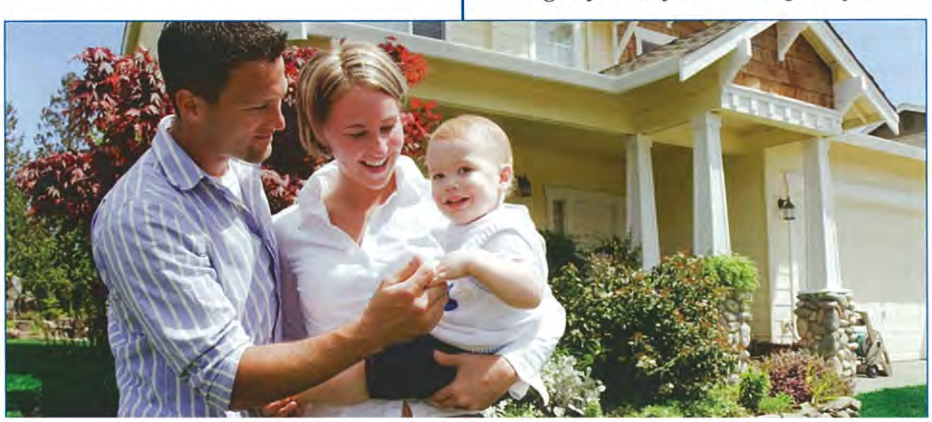
> *"This is going to keep a lot of tax accountants in business for a long time."*

- You must buy a home (or have a binding contract to buy) by April 30, 2010. Under the new law, if the sale doesn't close on time, you can still get the credit as long as you've got a binding contract on the ending date, said Jackie Perlman, tax analyst with the Tax Institute at H&R Block in Kansas City, Mo.
- You must be older than 18 and not claimed as a dependent by any other taxpayer.
- The property you purchase cannot have been acquired from a relative.
- You must attach a copy of your settlement statement with your tax return to claim the credit.
- Most buyers also must continue to own this new home for at least three years. If they sell in less time, the government will demand that they pay the credit back, said Clint Stretch, director of tax policy with Deloitte Tax.

THE $6,500 CREDIT

The new law carves out an additional credit for current homeowners.

If you have owned and lived in a home for at least five consecutive years of the last eight years, you could qualify for a $6,500 tax credit if you buy a new home between now and April 30. The "five-of-eight" requirement means that this credit could accommodate people who lost their homes in the last year or two to foreclosure or even sold a house and didn't immediately replace it, said John. W. Roth, senior tax analyst with CCH Inc., a Riverwoods, Ill., publisher of tax information.



Nothing in the law says you cannot keep your existing residence as a second home or rental. If you do choose to sell your existing residence, you need to pay close attention to how much you earn on that sale, Stretch said. That's because taxable profits from the sale of your residence will be added to your other earnings to determine whether your adjusted gross income exceeds the allowable thresholds.

This credit also phases out for singles earning more than $125,000 and married couples earning more than $225,000.

On the bright side, some profits from the sale of a personal residence don't count. That's because taxpayers are allowed to exclude up to $250,000 per person or $500,000 per couple in profits on the sale of their personal residence from tax if they lived in that home for two of the last five years, Stretch said. Only profits exceeding those excluded amounts would be included in income, he noted.

There are other arcane rules relating to profits earned on the sale of a home, so those with substantial profits may want to consult a tax professional before banking on the credit.

"It's really confusing," Roth allowed. "It's as if they took the old law and threw it in a Mixmaster. Some things still apply; others don't. The time frames are all new. This is going to keep a lot of tax accountants in business for a long time."

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Second Careers

Prize-Winning Second Career Revives Jobs In Rural Area

By Mark Miller, Tribune Media Services

Tim Will and his wife, Eleanor, moved to rural North Carolina a few years ago, hoping to pursue a decades-old dream of becoming organic farmers. Tim had spent his career working for big telecommunications companies as a systems analyst, and more recently had taught history and geography at an urban Miami high school.

They picked Rutherford County in the heart of the Appalachian Mountains after seeing the 1992 film of James Fenimore Cooper's classic novel, "The Last of the Mohicans." "No matter where that is," Will told his wife during one particularly eye-catching scene of Appalachian beauty, "that's where I want you to bury me."

The couple had become interested in organic farming years earlier, while serving in the Peace Corps in Honduras and Fiji. They moved to Rutherford County when Tim was 58; his game plan was to continue his work as a high school teacher and take up farming on a small scale.

Instead, Will has found himself leading a unique effort to transform a region hit hard by globalization into an Internet-fueled center for locally-grown organic food. The initiative is returning the area to its agricultural roots, and putting people back to work.

Will's efforts have just been recognized with a 2009 Purpose Prize. The award, given annually by the Encore Careers campaign, recognizes older career trailblazers who've demonstrated creative and effective work tackling social problems. This year, the winners were chosen from 1,200 nominees; five winners will receive $100,000 prizes, with another five recipients getting $50,000 awards.

The prize, now in its fourth year, was created to promote and encourage civic engagement among baby boomers.

Will's teaching plans changed when he found jobs were scarce in his new home, so he accepted a job with the Foothills Connect Business and Technology Center, which had been created to support local small business entrepreneurs and provide community Internet access.

"They're growing stuff they've never tasted before."

The challenges were daunting. The area had lost most of the jobs in its key industries—textiles and manufacturing—to globalization. And Will was especially troubled by another discovery: The area had no broadband access to the Internet.

"I thought it was criminal," he recalls. "I tried explaining to folks that by the time you get out of high school, the world expects you to have mastered the Internet, not just getting introduced to it."

His first big achievement at Foothills was snagging a $1.4 million foundation grant to bring broadband Internet access to the community. Aiming to leverage that connectivity to create jobs, Will tried creating an online marketplace to sell the wide array of Appalachian crafts made in the region, but the effort fell flat.

Along the way, however, Will stumbled onto another potential source of economic growth. While studying maps of the region, he noticed that thousands of families owned farmable land. "I confirmed with our local tax department that there were 7,000 families with five to 20 acres," he recalls. "Then we compared that list with the names of people who had lost jobs in the textile mills and furniture factories, and we had hundreds of matches."

Most of that land hadn't been under cultivation for years, due to the small size of the individual parcels, but Will knew that size wasn't a barrier for the specialized, organic crops he had in mind. "I started contacting folks to help them understand they didn't need 100 acres to be successful. We're trying to show people how they can grow organic and pesticide-free with high flavor—don't go for yield, but quality instead of quantity."

The next step was connecting farmers to a marketplace, and Will found a stream of eager customers in Charlotte restaurants, where chefs complained to Will that they had very little access to high-quality, locally-grown produce. That led to the creation of Farmers Fresh Market, an online ordering system that connects Charlotte restaurants with Rutherfordton area farmers.

The marketplace has provided a foundation for rebuilding an agriculture-based economy in the region. The network has gone from 35 farmers in 2008 to 90 this year, growing high-value crops like heirloom tomatoes, fennel, leeks, garlic and Swish chard. "They're growing stuff they've never tasted before," Will says with a hearty laugh.

With the venture becoming more popular, Will is working to help farmers grow their business through computer training. Foothills Connect also has helped launch sustainable horticulture programs for adults in the community and high school students. $ FND

On The Money

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Retirement Risk

Too Many Americans Risk A Financially-Strapped Retirement

By Humberto Cruz, Tribune Media Services

The numbers are dismal. But worse still is our reaction—actually, our lack of action.

I'm talking about the latest reading of the "National Retirement Risk Index" calculated by the Center for Retirement Research at Boston College. Battered by a lengthy recession, a record 51 percent of American households are now considered at risk of not having enough money to sustain their standard of living in retirement.

That's the case even if they work until age 65—two years beyond the current average retirement age—and take a reverse mortgage on their home and use all their assets, including the mortgage proceeds, to buy an inflation-adjusted lifetime annuity to maximize their income.

In 2004, 43 percent of households were considered at risk, based on the Center's analysis of a triennial Federal Reserve survey of consumer finances. In 2007, the number rose to 44 percent, the Center estimates now, based on that year's Fed survey.

While stocks are bouncing back, home prices are unlikely to shoot up quickly again. With people living longer, the Social Security full retirement age increasing gradually to 67 and low interest rates keeping annuity payouts low, the analysis "clearly indicates that this nation needs more retirement savings," the Center's report says.

"We are clearly facing a retirement crisis—one that will continue to grow as younger workers age," said Alicia Munnell, director of the Center. "To overcome today's retirement challenges, people need help understanding financial topics so they can make reasonable financial choices throughout their lives."

Unfortunately, many Americans are reacting to the economic downturn not by resolving to save more but by no longer actively planning for retirement. A survey by Nationwide Insurance, which underwrites the retirement risk index, found the number of such "disengaged" Americans increasing by more than a third. "That's exactly the opposite of what they should be doing," said Paul Ballew, senior vice president for Nationwide Insurance.

A separate study by benefits consultant Hewitt Associates found that an "alarmingly high" 46 percent of workers with a 401(k) plan who quit their jobs in 2008 took a cash distribution rather than keep their tax-deferred savings by rolling the money over to an individual retirement account or leaving it with their old employer. Cash distributions from 401(k) plans when leaving a job are subject to ordinary income tax plus a 10 percent penalty if under age 55.

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