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# CRAIG WILLEKE'S FINANCIAL NEWS DIGEST

MONEYLINE

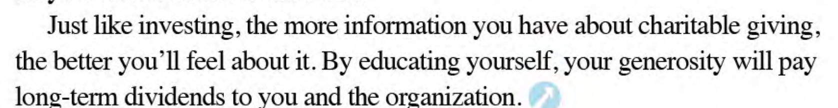
## Be Smart About Charitable Giving

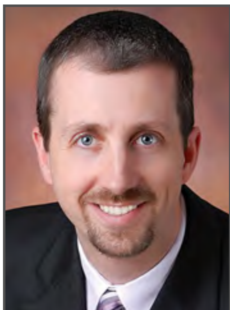
*Courtesy of Craig Willeke, LUTCF, CLTC*

If charitable giving is part of your financial life, be proactive about — don't just wait until you are pitched. Begin by verifying the charity's name. With over one million charities in the U.S., it's easy to have a case of mistaken identity. For example, there are hundreds of charities with "cancer" in the name, so be sure that your money is going where you want it to go. This is especially important if you're being solicited on the phone or in person, which is why I advise never to give in these ways, regardless of your familiarity with the organization. Just ask for all materials via snail mail or e-mail so you can review them without pressure.

Most people give to charity for altruistic purposes, not the tax deduction, but Uncle Sam does reward your kindness. That's why it is critical to know the difference between "tax exempt" and "tax deductible." "Tax exempt" means the organization doesn't have to pay taxes. "Tax deductible" means you can deduct your contribution on your federal income tax return.

Just like investing, the more information you have about charitable giving, the better you'll feel about it. By educating yourself, your generosity will pay long-term dividends to you and the organization.





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*New dangers for investors and small-business owners:* The North American Securities Administrators Association has released its annual list of dangers posed by scammers, including several relatively new threats. *Proxy trading accounts* are set up and/or managed for investors by people who claim to have trading expertise but are unlicensed, often leading to trading losses or theft of assets. *Digital currencies*, such as Bitcoins and PPCoins, are not backed by tangible assets; subject to little or no regulation; and difficult to understand, creating an environment that is fertile ground for scam artists seeking to take advantage of investors. *Raising of capital* through such means as crowdfunding and seeking funds from affluent individuals called "angels" carries risks for both startup businesses and investors. Be very careful to verify the legitimacy of capital-raising services.

*Source: NASAA.org*

*Cut the cost of title insurance by 50%.* Ask about a "reissue rate" when you are refinancing your home. Reissue rates (the extension of a current policy at reduced rates) also may be offered if you buy a home from someone who has lived there for 10 years or less. Ask your real estate agent or title company for details.

*Source: realtytimes.com*

*"The borrower is servant to the lender."*

— Solomon

# Do Something

*By Jill Schlesinger, Tribune Content Agency*

Who wants to remember bad milestones? Do we really need to go back five years, when the S&P 500 closed out the disastrous 2008 at 903.25? Most of us would prefer to focus on the fact that the index has more than doubled since those dark days.

Still, it can be instructive to be mindful of the lessons from that painful period. Many Americans seem to have forgotten the trauma the financial crisis caused to their portfolios and may now have a false sense of security about their current financial well-being.

This is human nature and behavioral economists even have a name for it: "recency bias," which means that what has occurred in the near past tends to inform how we feel and what we do today. The problem with recency bias is that it can push us into making emotional decisions at the wrong time. So at the depths of market lows in 2008, we feel scared and sell everything and vow to take better care of our financial lives. Then five years later, with the economy and markets in recovery, some people ignore planning for their financial future.

Here's what I have learned after being in the business for 25 years: It's easier to reach a financial goal when you articulate it and create a plan of action to achieve it. The problem is that simply thinking about planning, let alone running the numbers that are necessary to complete it, can be daunting.

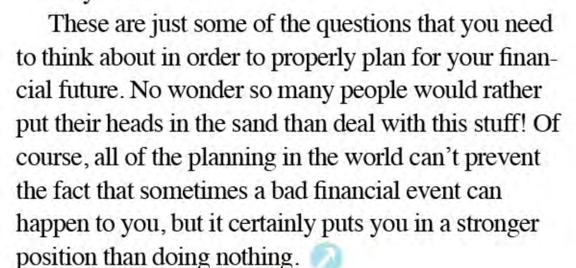
You need not go overboard with this process. A simple way to start is to address what I like to call "The Big Three Financial Goals":

1. **Zero consumer debt** (credit card, auto loans)

2. **Adequate emergency reserve funds** (6-12 month's worth of expenses; 12-24 months for retirees)

3. **Maximization of retirement contributions** ($17,500 for 401(k), 403(b) and 457 plans, with an additional $5,500 catch up contribution available if you are over the age of 50; and $5,500 for IRAs, with an additional $1,000 catch up contribution). This step includes ensuring that you have a properly diversified portfolio which is consistent with your risk tolerance level.

Once you have covered the Big Three, it's time for the nuts and bolts of financial security: drafting/updating wills and other estate documents and reviewing insurance coverage (life, disability, long-term care and property and casualty). These are not sexy topics, like investing can be, but without them, your financial security could be at risk.



These are just some of the questions that you need to think about in order to properly plan for your financial future. No wonder so many people would rather put their heads in the sand than deal with this stuff! Of course, all of the planning in the world can't prevent the fact that sometimes a bad financial event can happen to you, but it certainly puts you in a stronger position than doing nothing.

# Teaching Kids About Investing

*By Janet Bodnar, Kiplinger's Money Power*

I recently had a discussion with my 25-year-old son about how to invest. I was emphasizing how important it is for him at his age to tilt heavily toward the stock market. Peter disagreed. With the market hitting

record highs, he argued that it would be smarter to bide his time and buy on a market dip.

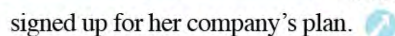
Who could have predicted when I started writing about kids and money, back when Peter was a toddler, that he and I would one day be debating the merits of investing strategies? But one thing I've learned in all those years is that teaching children about money is a process that occurs in small steps when kids are ready to absorb the lessons. Don't assume that investing is for adults only, sort of like an R-rated movie. To encourage a youngster's interest in investing, here's what I'd recommend:

**Keep things simple.** Don't try to snow kids with Wall Street jargon. Just explain that owning a share of stock is like owning a piece of a company whose goods they purchase or whose stores they patronize. Kids aren't much interested in hearing terms such as diversification or market capitalization.

**Give kids skin in the game.** Consider buying them stock in a favorite company so they can follow news about the company and changes in its share price. Or you can even buy a single framed stock certificate from some companies for the price of the stock plus a fee and the cost of a frame.

**Be a mentor.** Don't be concerned that your children won't listen to you. I was once asked to judge an essay contest in which high school students wrote about someone they considered to be a successful investor. I was blown away by how many of the teens cited family members.

**Include both your sons and your daughters.** Surveys consistently show that women express less confidence about their ability to invest than men. Investing is a learned skill so it's important for parents (especially dads) to make lessons gender neutral. You may be rewarded (and pleasantly surprised) when your grown daughter tells you, as mine did recently, that she had spent a weekend going through a tutorial on employee stock purchase plans on her company's website and then signed up for her company's plan.



"My short-term financial goal is to survive until Tuesday. My long-term financial goal is to survive until Friday."

*Reduce mobile-banking risks: Log off before closing banking apps*—do not simply exit. Download only authorized apps, such as those found in the Apple App Store or Google Play, to reduce the chance of running malware. *Do not store any log-in information*—not even a user ID. *Download an antivirus app.* Several good ones are available in free versions, such as *Avast! Mobile Security* and *Lookout. If your phone is stolen or you think you are at risk for a banking security problem,* contact your cell-phone service provider immediately and ask to freeze service to prevent unauthorized transactions. *Watch financial statements closely* for at least a few weeks so that you can spot and report any breach.

*Source: Bottom Line Personal magazine*

*Rental-car charges jump based on new fuel-measurement technology.* Electronic fuel-metering measures fuel in tenths of a gallon—so even if the dashboard gauge shows that the tank is full when you rent and full when you bring the car back, the rental firm may later bill you for additional gas at the very high prices that these firms typically charge. *Self-defense:* Visit a gas station near the drop-off point and top off the tank.

*Source: Bottom Line Personal magazine*

*"The safe way to double your money is to fold it over once and put it in your pocket."*

— Frank Hubbard

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# Afraid Of The Stock Market? Take A Simple Approach

*By Anya Kamenetz, Tribune Content Agency*

A recent Allstate/National Journal Heartland Monitor national survey asked 1,000 adults what their personal finance priorities are. Only one-fourth of respondents thought it was "very important" or "somewhat important" to be in the stock market.

Here are some of the most common reasons why most Americans steer clear of the stock market, along with suggestions (if you are part of that majority) on how to get started.

**You don't know where to begin.** Start with a tax-advantaged retirement account. If you have access to a 401(k) through your employer, enroll in it. If not, you can open an individual retirement account or IRA. As a basic rule of thumb, if you are under 30 or in a lower tax bracket compared to where you plan to be at retirement, start with a Roth IRA, which you fund with after-tax dollars. If you are over 30, try a traditional IRA, which you fund with pretax dollars.

**You worry about putting all your eggs in one basket.** Diversification is complicated, but that shouldn't stop you from investing. You'll probably want to include a percentage of the bond market in your portfolio. That proportion should grow over time. Also consider real estate and cash savings as part of your portfolio.

**You are afraid of crashes.** It's a reasonable fear; crashes can cause considerable short-term losses. What you really need to keep in mind is this: Average investors are bad at timing the market. If you're reasonably diversified and can hold your stock market investment for years, you can ride out downturns. Historically, the stock market has been considered a good place for long-term investing, be it for retirement or your child's college education.

***My final tip:*** Forget buying individual stocks except with money you can afford to lose. Consider that a recreational form of investing, like poker.