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Talking To Your Adult Children About Money

Courtesy of Craig Willeke, LUTCF, CLTC

Why is it so hard for some families to have tough conversations about money? The answer is obvious: Because financial matters are often weighed down by emotional baggage. That's why it can be so hard to talk to your young adult children about something that should be quite easy.

The sooner that we encourage our kids to pay attention to their money habits, the better off everyone will be. The first step is for them to track how they are spending money. With that information, they can create an emergency reserve fund that can cover six to 12 months' worth of living expenses. And of course, encourage those recent grads with jobs to start contributing to retirement accounts, at least up to the company-match levels.

You should explain to your kids the importance of establishing and maintaining good credit. If you have co-signed on a credit card during the college years, it's time to let the kids fly solo. To get started, encourage them to use a secured credit card, which is a great way to begin the process without the liability of them racking up big credit card bills. Remember that debit cards may be useful in managing cash flow, but they do nothing towards building credit. 

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Travel discounts for seniors: Amtrak gives 15% off the lowest available fare for most trains for travelers age 62 and older. Southwest Airlines provides fully refundable senior fares for fliers age 65 and older whose plans change — although these may not be the lowest fares offered. Verizon Wireless discounts cell-phone service for people 65 and older. Walgreens and Rite-Aid have monthly senior-discount days, when most nonprescription items are discounted by 15% to 20%.

Source: seniorliving.com

Getting bank loans is getting easier, according to Greg McBride, Vice President and Chief Financial Analyst for Mankrate.com. Auto loans — consumers with credit scores below 620 can qualify for longer (60-to-72-month) loans, although the loans have high single-digit interest rates. Home-equity loans — lenders are allowing consumers to borrow up to 85% of the value of their homes, up from a maximum of 80%. Home mortgages — in areas where prices have stabilized, the required down payments for 30-year fixed mortgages are dropping from 20% to between 10% and 15%.

Source: bankrate.com

“My riches consist not in the extent of my possessions, but in the fewness of my wants.”

— J. Brotherton



Home Buying Mistakes To Avoid

By Jill Schlesinger, Tribune Content Agency

Take care to avoid these common home buying mistakes:

Not running the numbers: It's important to understand how much home you can afford to buy (<http://www.zillow.com/mortgage-calculator/house-affordability/>) and whether home ownership might preclude you from addressing other important financial issues in your life. Use this great rent vs. buy calculator from the New York Times (http://www.nytimes.com/interactive/2014/upshot/buy-rent-calculator.html?_r=0) — renting might still be the better deal in your area. And don't forget to add in a line item for ongoing upkeep. A good rule of thumb is to include one percent of your purchase price as an annual budget amount for repair and maintenance.

Going it alone: It's tough to go through the home buying process alone. In some markets, buyers' brokers are available, but the most important qualities in brokers are: honesty, experience, good connections with other agents, and good referrals from buyers like you. Remember that most agents represent the seller, not the buyer.

Getting too attached to a property: As my mother, a realtor, likes to say: “A house is like a man...there's more than one for you in the world!”

Some buyers get so attached to a particular home, that they end up blowing their budget or becoming disheartened if they lose the property. Buck up — there are lots of properties out there!


Failing to include a contingency clause in the contract/ having too many contingencies: One of the most common contingency clauses is one that is related to securing a mortgage. The clause protects you if the loan falls through or the appraisal price comes in much higher

than the purchase price. Should one of these events occur, the seller would refund your down payment. Without the clause, you can lose that money and still be obligated to buy the house. On the other hand, if your offer is loaded up with contingencies, you may spook the seller.

Not hiring a real estate attorney: This is a major transaction, so don't cheap out when it comes to legal fees. Even if your mortgage company provides a lawyer, hire your own to draft all of the necessary documents and to ensure that your interests are being represented at every step of the process.

Blowing off the home inspection: Think you've found your dream house? Maybe, but unless you have an engineer walk through the premises with you, you might be buying a new roof in a couple of years. Don't get freaked out if a problem arises during the inspection -- remember that it can often be solved with a simple adjustment in price.

Assuming foreclosures are great deals: The pace of foreclosure sales is slowing down, but in case you run across what you think is a gem, remember that the property likely has been unoccupied for a while and could need major repairs.

Buying a home based on a “The Best/Worst Places to Retire” list: These compilations provide great headlines and may even help guide you, but they can't possibly take into account the details of your personal situation. 

Starting A Classic-Car Collection

By Jessica Anderson, Kiplinger's Personal Finance

When he was a kid, Brian Styles had the biggest Hot Wheels and Matchbox car collections on the block. Thirty years later, after he sold the software company he started, the cars of his youth still called to him. His collection began



with an impulse buy ten years ago — a 1970 Ford Mustang Mach 1 — but it has grown into a stable of 20 pony cars from the 1960s and '70s.

You don't have to be super-rich to get into the classic-car market, but it helps if you have a pile of money to play with. You can find vintage Chevrolet Corvettes and Ford Mustangs for less than \$30,000. But unless you are a do-it-yourselfer, you could pay a king's ransom for restoration.

Start with makes and models you are interested in. Consider joining a car club to learn more about them and network with owners. Styles eventually focused his collection on convertibles with big engines. "Where rarity and desirability intersect, you have value," Styles says. Case in point is the jewel of his collection: a candy-apple-red 1967 Shelby GT500 convertible that belonged to Carroll Shelby, famed automotive designer and race-car driver.

You can get an idea of what to pay from the Hagerty Price Guide (prices are also available at Hagerty.com). Collector car dealers can help locate what you're looking for, or you can try an auction — but get

someone knowledgeable to join you.

Besides the car's looks, you need to know its history. How many owners has it had? Has it been shown or won awards? If it has been restored, when was it done and by whom? Unless you have a lot of money, steer clear of cars needing bodywork.

What's hot. As with any collectible, there are blue-chip examples of collector cars. Don Rose, car specialist at RM Auctions, says prewar classics, such as Duesenbergs, Packards and Bugattis, still have cachet, but postwar European sports cars are exploding. Ferraris

are most notable for their recent run-ups in price (seven figures at minimum), but nearly anything Italian with some age on it is hot. Prices for Lamborghinis and Maseratis are likely to follow those for Ferraris fairly quickly.

German cars are rising in value as well. Porsche 911s from the late 1960s and early 1970s have spiked lately. One of the most iconic collector cars, the Mercedes-Benz 300SL, with its gullwing doors (hinged

from the top of the car), has been in demand since its 1950s debut. Prices today top \$1 million.

Muscle cars are among the most affordable classic cars. Although they took the hardest hit in the last economic downturn, values are returning to pre-recession levels.



Protect your credit card at gas pumps, which are increasingly compromised by thieves. Before using a pump, carefully examine the front panel and the area around the card unit for damage. Some gas stations place a tamper-proof seal on the edge of the card reader. If the card unit has been opened, the sticker will read "VOID." Be sure the card reader does not look different from others at the gas station — a thief may have attached a skimmer, which looks like a card reader but collects and stores your credit card information. Tug on the reader to be sure it is secure (skimmers often are attached with double-sided tape), and call the police if you find a skimmer. To protect yourself from a pinhole camera above the keypad — which often is used in conjunction with a skimmer to capture PINs — use two hands when paying, one for the transaction and one to shield the keypad from any camera. A pinhole camera can be difficult to detect. Look for anything that seems out of place directly above the keypad. If a situation just does not feel right, pay for gas with cash.

Source: consumerreports.org

"Change is inevitable - except from a vending machine."

— Robert C. Gallagher

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How Much You Really Need For Retirement

By Jane Bennett Clark, *Kiplinger's Personal Finance*

Back when I was packing lunches, I inevitably found myself in line at the deli counter behind one or another older couple who took what seemed like forever before making their selection.

That leisurely approach explains, in part, why you may be better off in retirement than you expect. In studies on household consumption, Erik Hurst, of the University of Chicago reports that spending on food drops significantly in retirement, not because retirees are eating less but because they have more time to shop and compare prices.

As for other expenses, retirees spend less on costs connected to commuting and wardrobe maintenance, such as dry cleaning, but as much or more (at least at first) on leisure activities, such as going to the movies, golfing and travel. Because the savings in some categories outweigh the spending in others, "on average, people are doing pretty well," says Hurst.

That's reassuring, but it also reinforces a concept long studied by researchers and already known to the rest of us: Consumption depends on your situation. When you have teenagers, you spend more on food, clothes and education than you do as an empty nester.

When you're throwing everything you have at retirement saving, you're not jetting off to Europe. In retirement, you may splurge on travel at first; later, you pay more for health care.

To some extent, retirement planners take such considerations into account. For instance, many recommend that you save enough to replace 80 percent (not 100 percent) of your pre-retirement income over a 30-year retirement. The formula assumes that you will no longer be paying payroll taxes or saving for retirement or covering work costs.

It also assumes that your spending will stay constant (adjusted for inflation) throughout a 30-year span. That assumption is no truer after you retire than it is before. In fact, some families may be able to get by on less. Run your own numbers. 