

Smart Money Moves to Make in '08

Seven easy ways to boost your savings, improve your credit, and protect your family By Kate Ashford

69%
of Americans
say they plan
to save more
in 2008

You know you need to save for retirement and, as long as the economy continues grumbling, keep a close eye on spending. But if you want to do more than just avoid a financial disaster, you need to go beyond the obvious and add these seven steps to your money to-do list. Sound daunting? Don't worry—some take as little as 15 minutes.

FIND OUT WHAT YOU'RE EARNING

Of course you know your salary—but what kind of interest is your checking or money market account getting? "It's amazing how many people don't have this information,"

says Carolyn Walder, a financial planner in Alexandria, VA. With so many banks now paying around 4 percent (visit bankrate.com for the latest numbers), it's foolish to leave your nest egg in a stingier spot, earning 1 percent—or even nothing. Some institutions require \$1,000 or \$2,500 to open a money market account, but others, like Capital One (capitalone.com), set their minimum at \$1. →





How I Did It

Mary Beth Lawton Johnson,
exec. pastry chef,
43, Midway, GA

"My husband and I had several savings accounts, but none was earning much more than 1 percent in interest. Our lives are so hectic (he's the captain of a yacht, and we are often away), we never found time to focus on what we should do instead. After learning we could earn more elsewhere, I opened a money market account at Zions Bank, which was paying almost 5 percent. I also opened a savings account at ING Direct; there we have earned over 4 percent. I'm excited that my money is finally working for us. By federal law, we're only allowed to withdraw six times a month, and if we exceed that, the bank charges a penalty. In a funny way, that's actually a plus—it keeps me from dipping into my savings too much."

DON'T MAX OUT YOUR 401(K)

Despite what you've heard, stuffing all your spare cash into your employer's 401(k) savings plan isn't always a wise strategy. Instead, consider contributing only as much as you need to get your company's full match. Then stash any extra retirement savings in a Roth IRA—available from a bank, broker, or mutual fund—where earnings and withdrawals are tax free. "Basically, \$1,000 in a Roth is worth more than \$1,000 in a 401(k), because when you withdraw 401(k) money, you'll pay taxes on it," says Jean Fullerton, a financial planner in Manchester, NH. The largest possible Roth IRA contribution in 2008 is \$5,000, or \$6,000 if you're 50 or older.

PUT YOUR KIDS SECOND

"People save for their children's college educations, but you've only got one chance at retirement—and you can't take out loans for that," says Eric Tyson, author of *Investing for Dummies*. Translation: Don't skimp on retirement savings in order to fund your kids' higher education.

If you're putting money into a 529 plan, be careful how much you invest. You'll pay taxes on any 529 withdrawal that isn't used for education costs—so if your child ends

up going to an inexpensive community college instead of a pricier private school, you could pay a big penalty. Aim to save enough in a 529 plan to cover only half of your expected college costs.

LEARN TO USE MONEY SOFTWARE

It doesn't matter if you choose Quicken, Microsoft Money, or another leading brand. They are all similar and can help you get your financial life in order. "I think the biggest mistake the average person makes is failing to maintain adequate records," says Roy Frick, a licensed public accountant in Ocean City, MD. "When you use software, that job is a whole lot easier."

The headache is in the setup, which can take a few hours. Your best bet: Tackle this job as you're doing your taxes, when your records are all assembled. Set aside one Sunday afternoon, and get it done.

TAKE PICTURES OF EVERYTHING YOU OWN

If anything happens to your home (like a fire or flood), having a clear record of your belongings makes dealing with the insurer much easier. But many people don't spend the time to do a proper inventory. Here's a shortcut: Take snapshots of each room →

STAY SAFE

A Good Fix for Identity Theft

Recently it became possible to freeze your credit to prevent identity theft, since this step prohibits anyone from opening new credit cards or loans in your name. The catch: In many states, there's a \$30 charge to activate the freeze—\$10 for each of the three credit bureaus. Then, to unfreeze one of your accounts—

which you'll need to do whenever you apply for a new store card or a mortgage—it'll cost \$10. In some states you pay another \$10 to refreeze. Double those fees for a couple, and you're looking at a hefty price tag for protection. Many experts say you're probably fine asking credit bureaus to mark your report with a

"fraud alert"—telling credit issuers to be cautious granting new debt. Of course, if you don't plan to move soon and rarely apply for new plastic, a credit freeze might make sense. If you've been a victim of identity theft, it's definitely a smart move—and because of your history, credit bureaus won't charge for it.

goodfamily

Saving Money

and all the things in them (get brand names and model numbers), then upload them onto your computer. Make a CD of the photographs. Even easier: Use a video camera and narrate all the necessary details. Then keep a

One way to look better on paper: Keep old credit cards to lengthen your credit history

copy of the video or the CD in your metal lockbox at home or in your bank's safety deposit.

FIX YOUR CREDIT

You've read the papers, so you know: Many mortgage companies are in financial trouble after making loans to people who couldn't pay them back. Now these institutions are re-

quiring better credit for new mortgages and refinancings, so having a decent credit score is more important than ever. Luckily, it's not out of your control. A good chunk of your score is based on timely bill payment.

So try to hit those due dates every month this year.

Other ways to make yourself look better on paper: Pay off debt, keep old credit cards to lengthen your credit history, and fix errors on your credit report. Get a free copy of yours at annualcreditreport.com. It used to be possible to boost your score by getting your spouse (assuming he's

creditworthy) to add you to an account as an authorized user, but as of mid-2008, that won't help anymore.

GET LIFE INSURANCE—AGAIN

If you have term life coverage that's several years old, shop for a new policy. Competition has lowered prices so much you can probably buy the same coverage on better terms than were available a decade ago, even though you're 10 years older. For instance, a 45-year-old female non-smoker could pay under \$45 a month for \$500,000 worth of 20-year level coverage. Comparison shop for policies at accuquote.com. Look for a policy worth about five to 12 years of your salary. Your family will thank you for making this smart move. ■

Flintstones® Gummies helps here

and here

And now here

and here

and here

and here

Flintstones® Gummies is the only complete gummie multivitamin that has extra choline. This nutrient, found in breast milk, helps support a child's healthy brain function.* It's a great-tasting way to help keep kids healthy from head to toe.†



Moms can trust 'em. Kids will love 'em.

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