

Four Mistakes Women Make When Managing Money

Most of the time, you manage your money successfully, handling your day-to-day finances and saving and investing for the future. But nobody's perfect. Even if you've made some of the following money mistakes, there's plenty you can do to get your finances back on track.

Mistake #1: Ignoring your credit rating

One of the most common mistakes women make is not establishing a solid credit history. Having a good credit history will give you more--and often better--financial options. Lenders will review your credit history when deciding whether to extend you credit. If your credit history is good, you may be offered credit at more advantageous terms, potentially saving you hundreds or even thousands of dollars in interest. And here's some extra incentive: prospective employers or landlords may check your credit history before offering you a job or renting you a home. Here are some ways you can help keep your credit history healthy:

- Regularly check your credit history. You're entitled to a free credit report once a year from each of the three major credit reporting bureaus. To request your report, call 877-322-8228 or visit www.annualcreditreport.com.
- Don't cosign loans or sign joint credit applications without understanding the consequences. You will be legally obligated to repay the debt, and any late payments may hurt your credit rating.
- If you struggle with debt, don't wait to take action. Call your creditors. They may be better able to work with you before you get too far behind. Ignoring the situation will make things worse.

Mistake #2: Saving for your child's education--but not your own retirement

As a parent, you may feel it's your obligation to pay for all or part of your child's college education, and you may put off saving for retirement until you've done so. While it's natural to want to put your child's needs first, you don't want to sacrifice your own financial security. Your children have many options for financing college, and many years to pay for it. On the other hand, you can't borrow money for retirement, and with a limited number of years to save, it's hard to make up for lost time. Make saving for retirement your priority, and save for college when your budget allows.

Mistake #3: Underestimating the need for life insurance

Like many women, you may not have enough life insurance. If you're staying home to raise your family or if you have a part-time job outside the home, you may think that you don't need it, based on your income. But you're contributing a lot to your family's finances, even if you're not the primary breadwinner. The services you provide for your family are invaluable. If you were to die, would your family members be able to afford college or continue to save for retirement? Would they have enough to cover ordinary living expenses? Life insurance can help protect your family's finances even after you're gone.

Mistake #4: Not planning for a long retirement

The good news is that retirement is likely to last 20 to 30 years, but that's also the bad news--if you're not prepared. Outliving your retirement income is one of the biggest risks you face. According to recent statistics, a woman who reaches age 65 can expect to live until at least age 85 (with many women living longer). (Source: National Center for Health Statistics, Volume 56, Number 16.) Yet because women typically spend less time in the workforce and may earn less than their male counterparts, their retirement savings and benefits are often shortchanged.

So what can you do to make sure you'll have enough income to last throughout retirement? Here are some suggestions:

- Set a realistic retirement savings goal, save as much as you can, and keep track of your progress.
- If you're married, plan for retirement with your spouse. It's especially important to account for your joint life expectancies and ensure that you have a steady stream of lifetime income.
- Find out how much you can expect to receive from Social Security, and what you can do to maximize your benefits.
- Consider buying long-term care insurance to help protect your retirement savings from the high cost of long-term care. And because women are often the primary caregivers for a loved one, consider coverage for family members as well.

Federal Protection for Bank Deposits

In the wake of turbulence in the financial markets and recent legislation, it's worth reviewing the legal protections available for assets held by banks.

What's protected?

Bank deposits are protected by the Federal Deposit Insurance Corporation (FDIC), an independent agency backed by the full faith and credit of the U.S. government. FDIC insurance covers both demand deposits, such as checking, NOW, savings, and money market deposit accounts, and time deposits, such as certificates of deposit (CDs). It covers both principal and any interest accrued as of the date that an insured bank closes.



FDIC coverage does not include mutual funds, stocks, bonds, life insurance policies, annuities, or other securities, even if they were bought through an FDIC-insured bank. It also does not cover U.S. Treasury securities, though these are backed separately by the full faith and credit of the U.S. Treasury. Finally, the FDIC does not insure safe-deposit boxes, though if a bank were to fail, the FDIC would typically either arrange for transfer to another bank or notify you to retrieve the contents.

How much is insured?

The Emergency Economic Stabilization Act of 2008 temporarily increased the amounts that are FDIC insured at an individual bank or savings and loan. The legislation states that the increase in standard coverage is effective through December 31, 2009, though there has been widespread discussion of making the increased limits permanent.

The previous limit of \$100,000 per individual per bank was increased to \$250,000. The \$250,000 limit applies to single-owner accounts, such as those held in one person's name, those established for another individual (e.g., an UTMA or escrow account), sole-proprietor ("DBA") accounts, and accounts established for the estate of a deceased person.

You can't increase your protection just by opening multiple accounts in your name at the same bank (for example, splitting money between a checking and a savings account, or opening accounts at more than one branch).

What if I have more than \$250,000?

The simplest approach is to have accounts at more than one bank. However, your coverage at an individual bank depends on how accounts are owned; different types of accounts are insured separately. You can exceed the \$250,000 limit as long as the deposits represent different categories of ownership. For example, a joint account qualifies for up to \$250,000 of coverage for each person named as a joint owner. That coverage is in addition to the \$250,000 maximum coverage for each person's aggregated single-owner accounts at that bank. For example, a married couple with three accounts at one bank--they each have \$250,000 in an individual account, and they also have \$200,000 in a joint account--would qualify for insurance on the entire \$700,000.

The limit on the amount protected in one or more retirement accounts at one bank also is \$250,000; this is separate from the \$250,000 coverage of individual accounts. (Remember, however, that FDIC insurance applies only to deposit accounts, not to any securities held in an IRA or other retirement account.) An online calculator at the FDIC website, www.fdic.gov, can help you estimate the total coverage on your deposit accounts.

Additional safety nets

In some states, a state-chartered savings bank is required to have additional insurance to cover any losses beyond the FDIC limits. Some banks also may participate in the Certificate of Deposit Account Registry Service (CDARS), which enables a bank to spread large CD deposits among multiple banks while keeping the amount at each individual bank within FDIC limits. Paying attention to your bank balances and account ownership can help protect you in a worst case scenario.

College Costs: Increases and Trends

Many of the developments we saw last year in the world of higher education will continue to play out in 2009, as the largest high school class in American history heads off to college.

Costs, costs, costs

For the 2008/09 school year, the total average cost (tuition and fees, room and board, books and supplies, transportation, and other miscellaneous expenses) for an in-state public college student is \$18,326; for an out-of-state public college student, \$29,193; and for a private college student, a whopping \$37,390 (Source: The College Board's Trends in Student Pricing 2008 Report). According to the College Board, over the past decade, college costs have increased an average of 5% to 6% a year.

This year, the ever-increasing cost of college comes at a time when many parents may be grappling with reduced college savings due to the ailing economy. With less savings, lower home equity against which to borrow, and possibly stagnating incomes or a recent job loss, parents may be less able to contribute to their children's ever-growing college financial need.

Borrowing

Enter student loans. The amount of borrowing for college has increased tremendously over the past decade, especially in the area of private student loans. Last year, private loans comprised 23% of total education loan dollars, compared to 5% ten years ago (Source: The College Board and The Project on Student Debt). The reason for the increase? The borrowing limits on federal student loans haven't kept pace with the rise in college costs.

However, the ongoing credit crunch has altered the marketplace this year. Many private lenders have dropped out of the student lending business completely, and those still in it are charging higher interest rates and requiring more stringent credit checks.

A study conducted last August by educational lender Sallie Mae concluded that 70% of families didn't even consider their child's likely post-graduation income when deciding how much to borrow for college, and 40% said they paid no attention to cost when searching for a college.

But there's evidence this pattern may be changing. Around the country, college administrators report an increased focus on price at college fairs, and a majority of families say in online surveys that they are seeking less prestigious schools for money reasons.

Public college trends

But just as public colleges find themselves more in demand than ever by cash-strapped students and employees looking to gain a leg up in the workforce, state budget deficits are forcing many states to reduce their public higher education expenditures, resulting in markedly higher tuition and fees. So far, at least 20 states have made cuts to their public university budgets or are planning large tuition increases. And more states are expected to be in financial peril in 2009, jeopardizing future public higher education expenditures (Source: The Wall Street Journal, October 17, 2008, "State Budget Cuts Push Tuition Higher").

Private college trends

The highest tier private colleges--the Ivies and a few select institutions--have enjoyed record endowment growth over the past few years (not counting the economic downturn) and have translated those gains into increased merit aid awards (which aren't based on financial need) for the best students. Many of these institutions have even gone so far as to offer a free education to students whose families earn up to \$150,000 or \$200,000 per year.

But go one or two levels below, and many colleges in the second and third tiers aren't in a position to meet all of their students' financial need. These colleges continue to hand out merit aid, but are more selective (and less generous) in their awards. So students at these schools could end up paying more out-of-pocket.

Federal legislation

Against this backdrop, the federal government passed the Higher Education Opportunity Act last year. Among other things, the Act will make it easier for students to apply for federal student loans and to research college costs on a new website, www.college.gov.

And in 2009, it will be interesting to see what ideas and policies President Obama, who just finished paying off his own student loans in 2004, brings to the college table.

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Dave Williams is originally from Philadelphia, PA. He has been a "transplanted" Hoosier for the past 30 years. Dave strives to educate his clients on how to invest profitably and avoid loss by providing conservative options. He is dedicated to properly helping his clients reap the rewards of a well planned retirement. In addition, Dave is a well established speaker in Indiana and is committed to educating the community with his workshops on topics relating to conservative alternatives. Dave is a graduate of Indiana University with a BS in Finance. He is also a member of the National Ethics Bureau. He resides in Indianapolis with his wife of 28 years, 3 mini-Daschunds, and is enjoying his

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