

9124 E. Main St. #3
 Mesa, AZ 85207
 Red Mountain Plaza
 NW Corner of Ellsworth & Main St
 (Apache Trail)

480.354.1040
 FAX 480.354.1041
 Cheryl@cdtax.com
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Cheryl Wilson, EA, CFP®

The Secret Ingredient

Your credit usage may be to blame for high home and auto insurance █

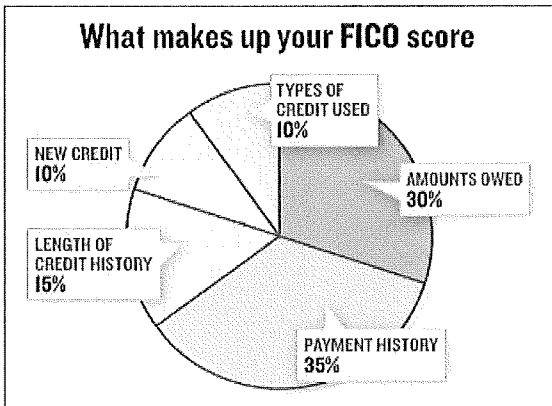
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By now you know that you need to keep tabs on your credit history to make a good impression on lenders, landlords and employers. But did you know that your home and auto insurers are also looking? In most states they're allowed to use your credit information to formulate premiums—and in June the U.S. Supreme Court decided that your carrier doesn't need to tell you if your credit has caused you to pay more.

In concurrent cases against Geico and Safeco, the Justices unanimously agreed that the companies were not wrong in charging certain poor-credit customers more without notifying them. The impact of the decision: "You are not going to know if your credit score is costing you," says Harvey Rosenfield, founder of the Foundation for Taxpayer and Consumer Rights.

How insurance premiums are determined is a recipe long kept secret from consumers.



SOURCE: MYFICO.COM

Some 90% of home and auto carriers use a score based on credit data as part of that recipe, according to risk-assessment firm Fair Isaac, known for its FICO credit score. Some insurers buy this so-called credit-based insurance score from Fair Isaac or Choice-Point, another data

provider, or devise their own. One insurer may weigh the score heavily, another not so much.

Industry folks say they're simply using all relevant data. "Studies show that how people manage credit is a good predictor of insurance risk," says Claire Wilkinson of the Insurance Information Institute; in other words, insurers think that if you don't pay your bills, you're likely to file a lot of claims.



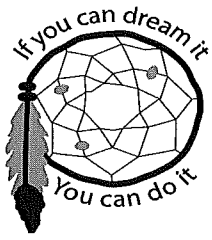
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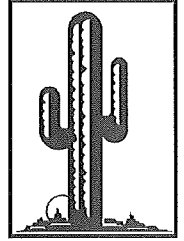
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Before and After Death: Estate Planning



The loss of a loved one is a difficult time in a person's life. It doesn't seem to matter whether the death was unexpected or long anticipated. The shock of the moment makes it difficult to know exactly what actions should be taken. For this reason, it is wise to be prepared for those times with an estate plan.

No matter whether you are getting your life in order or preparing your loved ones for your death, the more that is planned, the easier it will be for those you leave behind.

Before I Die

There are things you can do before you die to make the duties of the personal representative easier. Have you ever appointed a personal representative? A personal representative is someone whom you choose to carry out your wishes after you die. If you do not make that choice, the next of kin is very often appointed by the court. You can plan for death by having arrangements outlined, records available, and even having an estate plan. How you dispose of your assets will depend on how far you are in your journey through life when you die. If you have a young family, you should make provisions to ensure they are cared for when you're

gone. If you are older, you may have other desires for your assets. You may even want to minimize the amount you have left when you die by making gifts during your lifetime that will not need to be added into the value of your estate. In 2007, you can gift up to \$12,000 to as many people as you wish without causing gift tax return issues or creating tax consequences after death.

It is important to do estate planning regardless of your age. Your plan should be a living plan that can be modified as the stages of your life change. Involve your tax profes-

sional, your financial advisor, and a legal professional when you design your plan.

Here is a list of things you may want to consider:

- ☞ Prepare a will or other document outlining your wishes for burial and distribution of your assets.
- ☞ Choose someone to be your personal representative. That person should be named in a will or other document.
- ☞ Keep an inventory of the items you own and where they are located. If you die without that list, your personal representative will spend a lot of time and effort searching for that information.



Along with the inventory, identify the location of your tax records. You may also want to include the name of the tax professional you would like to handle your final tax affairs. This person would be familiar with your tax history.

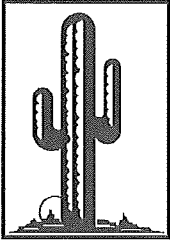
If you have given gifts of property during your lifetime, it would be beneficial to write down the basis of property that has been gifted. This should be an ongoing document throughout your lifetime. If the gift required a gift tax return, you should have a copy of the gift tax return with your records. If a gift tax return was not required, you should still leave some sort of paper trail because the donee

may need the basis information in the future.

After I'm Gone

Have you ever stopped to think of what the personal representative of your estate will have to do when you're gone? Funeral arrangements are usually the first thing that will be done. Hopefully, you have made your wishes





Before and After Death: Estate Planning, continued from page 2



known. But when that's over, there is still a lot to do. Your personal representative is charged with paying the bills that need to be paid, filing and paying your tax obligations, and, finally, distributing your assets according to your wishes. If you don't make your wishes known, your state of residence will make the decision for you.

To satisfy your final tax obligations, the personal representative must see that the required tax returns for the year of death and all years before that time have been filed and any taxes paid. If you keep copies of your past returns and good records, the representative will be able to see that all the returns have been properly filed. If the records are not readily available, your representative may have to contact the IRS to find that information. The personal representative will have to be approved by the court in order to represent you before the IRS. Even if you have given power of attorney to someone before you die, power of attorney is no longer valid after death. After the final individual tax obligations have been considered, the estate tax obligations must be reviewed.



Your estate could be responsible for filing two different kinds of returns. **A Form 706, Estate and Generation Skipping Tax Return, may be due within nine months of the date of death.** This return calculates the tax due on the value of the assets owned at the time of death. Currently, your personal representative would file this return if the value of your gross estate on the day you die exceeds \$2 million. Your gross estate includes all your personal property, real estate in the United States or abroad, and investments. Your gross estate also includes the value of life insurance policies on your life if you are the owner of the policies and the cash value of policies that you own on other peoples' lives. You must also consider the value of any property you have a right to such as your share of estates, trusts, unsettled lawsuits, and any other jointly held assets. Add to that the value of any

taxable gifts you may have made during your lifetime such as the lakefront property that you gave to your children. If \$2 million is more than you have, you may not be off the hook yet. Some states require returns for much smaller amounts. For example: Wisconsin requires a Form W706 when the value of the estate is only \$675,000.

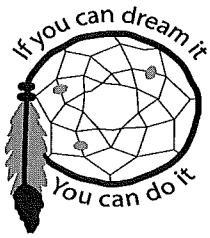
Even if you don't have that much property, the personal representative may have to file an estate income tax return, Form 1041. (U.S. Income Tax Return for Estates and Trusts). This return calculates the income tax on the income earned after death on the assets

you had when you died but before they were distributed to your heirs.

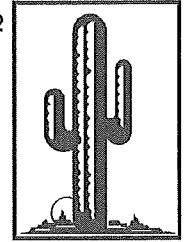
Any income earned on your assets from the day you die until the assets are distributed or sold may be subject to tax. This income may be interest on your bank accounts; dividends on stock; retirement benefits; or annuities, rents, and the wages you earned but had not received before you died. Installment payments you were receiving before you died as well as the proceeds of the sale of your assets may be taxable. A Form 1041 must be filed in the gross income exceeds \$600 or there is any taxable income. You don't have to be rich to be required to file this return. This return is due at the same time you would normally file a regular tax return—April 15.

Estate planning is highly recommended. There are many opportunities to minimize the amount of tax due at death. Discussing alternatives with a professional may open your eyes to benefits of which you weren't aware. I recommend that you be wary of advertisements for mass marketed estate planning seminars. Instead, work with someone you know or to whom you are referred; but don't limit your planning to tax considerations. There may be other health and legal issues that should be considered as well.





The Secret Ingredient, continued from page 1



Whether that's true or not, your carrier will be peeking at your credit history. So you want to make sure it sees you in the best light.

Make Sure Insurers Have the Right Info

No matter who devises the scores, the original data comes from credit bureaus. So check your credit reports for accuracy. Get a free copy from each of the three bureaus annually at annualcreditreport.com.

Tell Them What They Want to Hear

Unlike traditional credit scores, insurance scores usually put more weight on prompt bill payment and slightly less on the type of credit you have, says Lamont Boyd, director of product management at Fair Isaac. But if you follow the same rules for improving your credit score, your insurance credit score should rise as well. In order of importance, says Boyd, they are:

- ◇ **Pay bills on time.** Late payments show up for seven years.
- ◇ **Keep revolving balances low.** Insurance companies look at how much debt you have relative to available credit.
- ◇ **Keep your oldest credit card.** Insurers like folks with well-established lines of credit. Five years is good, 10 ideal.
- ◇ **Don't apply for lots of credit at once.** Your score might drop (You're not penalized for shopping around, however; multiple auto or mortgage inquiries within 45 days are considered as one.)
- ◇ **Get rid of miscellaneous cards you don't use.** Having too many can hurt your score.

Don't Settle

So what if your car insurer decides that you no longer deserve that great rate? Thanks to the Supremes, you won't know why you've become such a poor risk or

EDUCATE YOURSELF

Most workers say they'll have sufficient funds to live comfortably in retirement, but fewer than half have actually run the numbers.

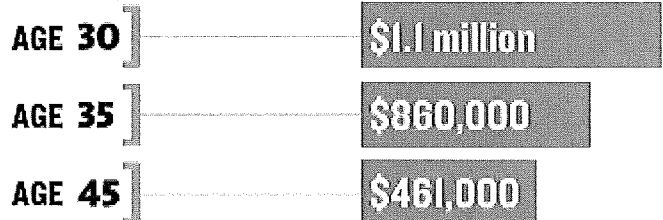


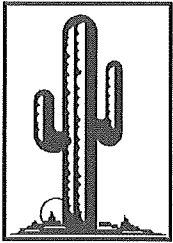
SOURCE: EMPLOYEE BENEFITS RESEARCH INSTITUTE, 2007 RETIREMENT CONFIDENCE SURVEY.

what to do to lower your premium. Your best option: Shop for a new policy. You can try other companies, an independent agent or an insurance comparison website. Since insurers' weightings of your credit-based insurance score can be quite disparate, you're likely as not to find a company that thinks you are peachy.

WHY IT PAYS TO BEGIN EARLY

START SAVING 10% A YEAR AT 401(k) BALANCE AT AGE 65





It's smart to keep tabs on your credit report, but beware: lots of websites that tout free reports try to rope you into paying for a credit-monitoring service. Just skip 'em. Instead, go to www.annualcreditreport.com, where three companies (Equifax, Experian, and TransUnion) will provide you with a free report for the asking once a year. You should check for accuracy and activity. Call 877-322-8228 to get reports by mail.

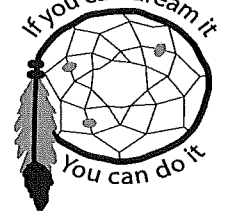
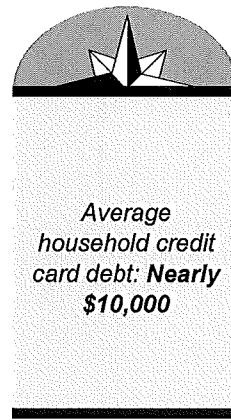
Revocable Living Trust Frequently Asked Questions

Why do I need to list my trust as an additional insured on my home and auto insurance policies?

This is to prevent any delay in being compensated for a claim because your home or auto is titled in your trust and your insurance lists only you as the insured and not the trust. Some insurance companies have been known to try and deny claims because of this.

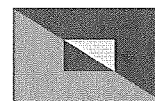
I am refinancing my mortgage. Is there anything I need to do to keep my home titled in my Revocable Living Trust?

Yes. Talk with the person assisting you with the refinance and the title company involved to see if they will retitle your home in your trust name when the refinance is complete. If not, contact us to have a new deed prepared to retitle your home in your trust name.



Best Moves When Retirement is Getting Close

- **Pay down your highest-interest credit card debt.** Being in the black is always a good idea, but it's doubly true as you approach retirement. You don't want costly debt when you are not working.
- **Invoke "catch up" provisions.** If you're 50 or older by the end of 2007, you can boost your savings in two ways:
 - **Put an extra \$5,000 into your 401 (k) for a total of \$20,500**
 - **Add another \$1,000 to the usual \$4,000 IRA limit.**



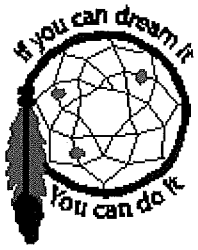
Social Security Number Verification Service (SSNVS)

Verify Social Security Numbers Online

When a new employee is hired, we can now verify the name and SSN to ensure that the employee records are correct for the purpose of completing the IRS Form W-2

Company policy concerning the use of SSNVS should be applied consistently to all workers

Our Accounting staff will be contacting our business clients about using this service to ensure the accuracy of the payroll reporting



Tax & **CD**
Financial Partners, Inc
480.354.1040
9124 E. Main Street, #3
Mesa, Arizona 85207

