



### Family First Financial Planning

Leslie Corcoran, CFP®  
President

759 S. Federal Highway  
Suite 316  
Stuart, FL 34994  
(772)781-7648  
fax (772)781-4526  
leslie@familyfirstfp.com  
http://www.familyfirstfinancial.com

Hurricane Season is here! Do you have your hurricane survival kit prepared? It is always best to prepare in advance during the hurricane season, so that you aren't left without vital items in the onset of a storm.

Do you have your financial security kit prepared as well? Just as with a hurricane, you do not want to be left in the dark when it comes to planning your financial security. A little planning in advance, is all it takes to ensure a stable future, and a sunny forecast!

Call us today to discuss your path to financial security. Have a safe hurricane season.

Leslie Corcoran and Diane McLaughlin

#### **In this issue:**

Why Work with a Financial Professional?

Where to Stash Your Emergency Cash

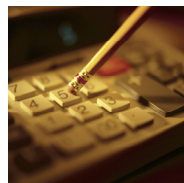
Saving for College with a 529 Prepaid Tuition Plan

Ask the Experts



September 2008 Family First Financial Planning

## Why Work with a Financial Professional?



If you're like most people, you probably bring your automobile to a professional mechanic for routine maintenance. You see a doctor when you have concerns about your health, and for regular

exams. When the need for legal counsel arises, you consult an attorney. All of us rely on the expertise of others. It's no different when it comes to personal finances--most people could benefit from working with a financial professional. Here are some good reasons to do so:

### **You don't know what you don't know**

No one can be an expert on every subject. Managing your finances on a day-to-day basis is one thing; implementing a comprehensive investment plan to fund your retirement while setting aside funds for your child's education is something else. That doesn't mean that you're not capable of doing it, only that you shouldn't underestimate the expertise needed to put together an effective plan. If you're going to go it alone, you'll need to educate yourself, and that brings us to the next point ...

### **You have good intentions, but never set aside the time**

There's an entire industry built around providing individuals with the tools they need to do their own financial planning. Books, magazines, websites, calculators, worksheets, and videos all empower individuals to take a more active role in their financial future, whether they're working alone or with a financial professional. Not one of these tools, however, will help unless you set aside both the time to learn to use the tool, and the time to apply the tool to your own situation. Working with a financial professional forces you to stop procrastinating, and shifts the time commitment from you to the professional.

### **Doing it all yourself isn't efficient**

There's a long list of things that we could do ourselves but choose to pay someone else to do for us instead. For example, you could paint your house, but you may be happy to pay someone else to do it. Why? It's more efficient. You can spend the time working on other things and, if you choose the right professional, it will probably be done faster and better than if you did it yourself. The same goes for working with a financial professional.

### **You're not objective**

It's hard to look at your own situation objectively. Having someone else with experience analyze your financial condition can be extremely helpful. And, in cases where you and your spouse aren't on the same financial page, a financial professional can listen to all concerns, identify underlying issues, and help you find common ground.

### **Keeping up with change is a full-time job**

In the last two years, there have been at least five major pieces of tax legislation signed into law. Even seasoned financial professionals have had a difficult time keeping up with the changes. Not understanding how these changes might affect your financial plan could be dangerous, but understanding the changes takes time and effort.

### **You see the trees, but not the forest**

A good financial professional can help you see the big picture. He or she can show you how your financial goals are related--for example, how you might save for both your child's college education, as well as your own retirement. He or she can work with you to prioritize your goals, implement specific strategies, and choose suitable products or services. A financial professional can also stay on top of your plan to make sure it remains on track, recommending changes when conditions, or your circumstances, dictate.



## Where to Stash Your Emergency Cash

### Multiple choices

*Many experts suggest having 3 to 6 months' income in your emergency fund. When planning how much to have and where to keep it, consider all your potential emergency resources, such as a health savings account, insurance, an emergency-only credit card, or a home equity line of credit. You may also be able to combine options--for example, an interest-bearing checking account that replaces a credit card for minor emergencies, plus a higher-yielding account for the rest of your emergency cash.*



*If you're contemplating putting your cash into a mutual fund, be sure to obtain and read its prospectus (available from the fund) so you can carefully consider its investment objectives, risks, charges, and expenses before investing.*

A financial cushion can improve your ability to survive bad times, but right now that cash may be earning a relatively low interest rate. However, try to think of it as you might insurance: your emergency fund is designed to be there when you need it. Here are some possibilities that balance safety with liquidity:

### Interest-bearing checking accounts

Deposit accounts are federally insured up to \$100,000, so they're as secure as it gets. Bank deposit balances are insured by the Federal Deposit Insurance Corporation (FDIC); credit union balances are insured by the National Credit Union Administration. Lower costs often permit higher yields on online accounts, and minimum balances for online accounts also are typically low. However, depending on the institution, your access with an online-only account may be somewhat less convenient than you're used to; for example, the number of deposits or check-writing privileges may be limited. An ATM/debit card linked to a checking account is convenient, but if the temptation to use it for a "retail emergency" proves too great, it could end up pulling the stuffing right out of your financial cushion.

### High-yield savings accounts

Savings accounts typically offer higher interest rates than checking accounts. Again, some of the best rates may be available online. However, make sure you find out whether the yield quoted is an introductory rate and what minimum balance is required to get it. Also, some high-yield savings accounts require that a certain number of purchases be made using a linked credit or debit card--hardly appropriate for an emergencies-only fund.

### Money market savings accounts

A money market savings account (MMA) may offer higher interest than a checking or even a regular savings account, but also may have some restrictions on access; for example, it may limit the number of transfers, withdrawals, or checks, and may require a higher minimum initial deposit or balance. (On the other hand, such constraints may force you to think twice before accessing that money without good cause.) MMAs generally invest in short-term commercial loans, CDs, and government securities.

### Money market mutual funds

Money market mutual funds may offer higher

rates than checking or savings accounts. Even though they may invest in similar types of securities as money market savings accounts, don't confuse the two. An investment in a money market mutual fund is not insured or guaranteed by the FDIC or any other government agency. Although the fund seeks to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in the fund. If you're in a high tax bracket, consider municipal money market funds, which offer the federal tax advantages of muni bonds. A fund that concentrates on munis from your state also may offer state tax benefits.

### Laddered cash equivalents

Certificates of deposit (CDs) or short-term Treasury bills provide less liquidity, but a laddering approach could improve your access while still limiting to some extent your ability to raid your fund without a good reason. For example, you might buy six CDs; the first CD matures in one month, the second in two months, the third in three months and so on up to six months. When the first CD matures, you could buy another six-month CD; you'd do the same with each succeeding CD at maturity. That would make some cash available once a month, and laddering lets you adapt to changing interest rates. A similar strategy could be used with short-term T-bills, available in maturities of 4, 13, 26, and 52 weeks. However, be aware that if you need to sell or cash in a CD early, you may have to pay a substantial penalty that could wipe out any incremental yield. In the case of a brokered CD sold before maturity, you also might suffer a loss. Also, interest rates could affect the value of a T-bill sold before it matures.

### Short-term bond funds

Sometimes used as an alternative to a money market fund, short-term bond funds have typically offered higher yields with relatively modest increased risk (though they also are not FDIC-insured). However, recent credit market conditions have underscored their hazards. Short-term bond funds may be more stable than long-term funds, but some investors have been surprised at losses resulting from their fund's exposure during the past year's credit turmoil to investments considered relatively safe.

Whatever you use for your cash stash, have a plan for replenishing it after the emergency has passed.

## Saving for College with a 529 Prepaid Tuition Plan



Though not as popular as its ubiquitous cousin the 529 college savings plan, a 529 prepaid tuition plan may be of interest to you as a tax-advantaged way to save for college. A prepaid tuition plan, like a college savings plan, is a type of 529 plan, and enjoys all the tax benefits offered by these types of plans. Yet a prepaid tuition plan operates very differently from a college savings plan. Knowing the difference can help you choose which type is right for you.

The main benefit of a 529 prepaid tuition plan is the ability to "lock in" tuition costs. As its name suggests, a prepaid tuition plan allows you to prepay tuition; that is, you purchase tuition now for use in the future. There are generally two ways to do this.

### Locking in tuition costs

Under the more common contract-type prepaid tuition plan, the plan promises to cover a predetermined amount of tuition expenses in the future based on the amount you contribute today. Alternatively, with a unit prepaid plan, you purchase a certain percentage of units or credits, and the plan guarantees that whatever the percentage of costs such units cover now, the same percentage of costs will be covered in the future.

**Example:** One hundred tuition credits are required to fund one year of tuition at State University today. Under a unit prepaid plan, you purchase one hundred credits for \$5,000. When your child enters State University in the future, the \$5,000 you spent today will cover an entire year's worth of tuition, even if costs for one year have risen to \$20,000 by then.

**Tax advantages**

Prepaid tuition plans offer the exact same tax advantages as college savings plans--contributions grow tax deferred and withdrawals are completely tax free at the federal level when used to pay the beneficiary's qualified education expenses. At the state level, whatever tax benefits a particular state offers to college savings plan participants--for example, an income tax deduction for contributions and/or tax-free withdrawals from the plan--are also offered to prepaid tuition plan participants.

### Tax advantages

Prepaid tuition plans offer the exact same tax advantages as college savings plans--contributions grow tax deferred and withdrawals are completely tax free at the federal level when used to pay the beneficiary's qualified education expenses. At the state level, whatever tax benefits a particular state offers to college savings plan participants--for example, an income tax deduction for contributions and/or tax-free withdrawals from the plan--are also offered to prepaid tuition plan participants.

### Who offers prepaid plans?

States may offer prepaid tuition plans for the public colleges within their borders. Typically, states require that the account owner or the beneficiary be a state resident when the account is opened. Currently, 13 states offer prepaid tuition plans--Alabama, Florida, Illinois, Kentucky, Maryland, Michigan, Mississippi, Nevada, Pennsylvania, South Carolina, Tennessee, Virginia, and Washington. In addition to states, private colleges can offer their own prepaid tuition plans. Currently, there is one private prepaid tuition plan made up of a consortium of over 270 private colleges, called the Independent 529 Plan ([www.independent529plan.org](http://www.independent529plan.org)).

### Nuts and bolts

Prepaid tuition plans have a few quirks, though. Here's a summary of ways they differ from college savings plans:

Prepaid tuition plan	College savings plan
Offered by states (limited to your own state's plan) and private colleges	Offered by states--can join any state's plan
Can generally enroll only during open enrollment period	Can join any time
Funds must be used at participating colleges; plan may offer a refund if other college chosen	Funds can be used at any accredited college in the United States or abroad
Certain amount of tuition guaranteed	Returns not guaranteed; could lose money
Money generally for tuition only	Money for tuition, room and board, books, etc.

### Is a prepaid tuition plan right for you?

The appeal of a prepaid tuition plan lies in the peace of mind it offers. Instead of fretting when you see college costs rising each year at twice the rate of general inflation, you're insulated from price appreciation. If your child plans to attend an in-state public college (or, in the case of a private prepaid plan, one of the participating colleges), then a prepaid tuition plan may be a good choice. If your child later decides to attend another college, prepaid plans typically have a mechanism to refund your contributions, usually with a predetermined amount of interest, so make sure to learn the refund policy before joining.

**A prepaid tuition plan, like a college savings plan, is a type of 529 plan, and enjoys all the tax benefits offered by these types of plans.**



**Investors should consider the investment objectives, risks, charges, and expenses associated with 529 plans before investing. More information about specific 529 plans is available in each issuer's official statement, which should be read carefully before investing.**



### Family First Financial Planning

Leslie Corcoran, CFP®  
President  
759 S. Federal Highway  
Suite 316  
Stuart, FL 34994  
(772)781-7648  
fax (772)781-4526  
leslie@familyfirstfp.com  
<http://www.familyfirstfinancial.com>

Neither Forefield Inc. nor Forefield Advisor provides legal, taxation, or investment advice. All content provided by Forefield is protected by copyright. Forefield claims no liability for any modifications to its content and/or information provided by other sources.

Prepared by Forefield Inc.  
Copyright 2008.



## Ask the Experts



### What is assisted living?

The wide range of assisted-living options makes defining the term difficult. Generally, assisted-living facilities offer rental rooms or apart-

ments, housekeeping services, meals, social activities, and transportation. Their primary focus is social, not medical, but some do provide limited medical care.

Assisted-living facilities may or may not be state-licensed, and primarily serve senior citizens who typically need more help than those who live independently. Other terms used to describe assisted-living arrangements are board and care homes, rest homes, and community residences. Continuing care retirement communities (CCRCs), also called life care communities, also fit loosely into this category, although they provide what other assisted-living facilities do not: long-term nursing care and guaranteed lifetime services.

Most assisted-living facilities create a service plan for each resident upon admission. The

service plan should detail the personalized services you require, and the plan should be updated regularly to ensure that you, or your parent, receive the appropriate care as conditions change.

The cost of assisted living varies with the residence, apartment size, and types of services needed. The basic rate may cover all services, or there may be additional charges for special services. Most assisted-living residences charge month-to-month rates, but a few require long-term arrangements. Most residents pay for the cost of care from their personal financial resources. Some costs may be reimbursed if you have long-term care insurance. Medicaid waiver programs help pay for assisted-living services in some states.

To find out more about assisted living, start by contacting your local area agency on aging (AAA). Contact the U.S. Administration on Aging's Eldercare Locator at 1-800-677-1116 or visit [www.eldercare.gov](http://www.eldercare.gov) to find the AAA office closest to you.

### How do I choose an assisted-living facility?

Choosing an assisted-living facility for you or your parent can be challenging because you may not know what kind of help will be needed in the future. However, certain factors other than cost can help narrow your choices. The following considerations can help you with your search for the right assisted-living facility:

- Is the facility close to family and friends?
- Are there shops and businesses nearby? Is transportation provided?
- Are social, recreational, and spiritual activities provided?
- What kinds of personal care are provided? Is there help with bathing, dressing, toileting, grooming, eating, housekeeping, laundry, and medications?
- What happens if you get sick? Can you be asked to leave the facility if your physical or mental health deteriorates?
- Is the facility licensed or unlicensed? If licensed, check state reports.

- What professionals are on staff?
- Is there enough privacy and adequate security?
- Is the facility well designed and safe?

To research a facility:

- Visit the facility several times, and visit at least once unannounced.
- Visit during mealtimes, and sample the food.
- Observe and talk with the residents and staff.
- Check with the Better Business Bureau and the state's long-term care ombudsman to see if any complaints have been filed.
- If the facility is connected to a nursing home, investigate that too.