

KEEPING TABS ON YOUR MONEY

BY JACOB ANSEL

MAKING THE MOST OF YOUR

money in these difficult times should be a priority, so it's important to learn how to make the best use of your money. Most of us have been affected by the economic slowdown and some among us may be panicked and unsure what to do. Rest assured, there are many resources to turn to as well as helpful hints. Herein, a few to help weather the storm.

Many folks have taken pension or 401(k) loans to buy a home, help with a cash flow shortage, pay medical bills, or put a kid through college. The loan is typically tax free as long as it's repaid regularly over a 60-month period. Although the interest paid on the loan isn't deductible, it goes back into your account. Some folks borrow when the rates are high and aren't told they can refinance the pension loan to get a lower monthly mortgage payment. This is important to know if you're looking for areas to pinch. If you had a loan at 8% a few years ago, call up your pension manager and ask for a refinance at today's reduced interest rates.

The age-old question – is it better to lease or to buy – is a tough one to answer. However, if you're strapped for cash it's probably better to lease. As an example: if my company purchased a \$10,000 copy machine, we'd have to layout \$10,000 in cash or finance the purchase over 60 months at 8% interest. This leaves a monthly payment of \$203 for 60 months and we're left with a worthless copier after five years. If we leased a copier, we'd still have that \$10,000 in the bank, and lease payments would be far less than the monthly purchase price. A typical lease is three years at \$165 a month, and at the end of three

years we could get a new copier. Opting to lease or buy is all about cash flow.

Credit card companies provide a useful tool by offering 0% interest for six months. Many also offer cash advances or transfer to another card at 0% for six months. So why not take that 0% loan and put the money into a six-month bank CD that pays 3%? At the end of the term, repay the bank and keep the interest. Some businesses use this as a short-term cash flow fix.

There are many other options credit card companies offer for those having trouble making minimum monthly payments. It's probably beneficial to speak to a senior financial customer service rep and explain your cash-flow situation. Often, the bank will lower the minimum monthly payment. There are also debt settlement companies that will act on your behalf and negotiate with banks to lower the principal balance due. However, this could have a negative impact on your credit rating and impact future borrowing capacity so I recommend talking to the lender first to see how they can help you directly without affecting your credit score.

Refinancing a mortgage and lines of credit at home and in your business is a good way to put some extra money in your pocket. Many people are under the impression that banks are reluctant to lend under current market conditions. In fact, banks are eager to refinance loans. Say you have a \$350,000 mortgage at a rate of 6.75% over a 30-year period. Call your bank and ask them to refinance at the current interest rate which is hovering around 5%. Why would they want to lose your loan, especially if you've paid your mortgage on a timely basis? Banks know you can go somewhere else to refinance. That original loan yielded a \$2,270 monthly payment; if you refinanced at 5%, the monthly payment would drop to \$1,879, producing a savings of almost \$400 a month. Now that's worth the time and effort.

THERE ARE MANY EASY AND PRACTICAL STEPS YOU CAN TAKE TO KEEP YOUR HARD-EARNED DOLLARS IN YOUR OWN POCKET. FROM REFINANCING TO CREDIT CARD OPTIONS, OUR COLUMNIST OFFERS A FEW TIPS.

The IRS has passed an expanded net operating loss carry back rule that allows a small business or an individual to carry a loss back five years instead of two. If a business has a current year loss (expenses exceeded income) but was profitable in the past, this could mean a special tax refund. This one-time allowance – intended to alleviate the dire economic malaise – is only available until September 15 for calendar year taxpayers and October 15 for individual tax filers (1040).

There are myriad ways an individual or a business can reorganize its financial résumé. The best way is to start with a list of items that can assist and reshape your financial position. Sure, refinancing a mortgage is time-consuming, but it will produce an excellent money-saving outcome. Yes, consulting a tax advisor may require some upfront money, but it's well worth it at the end of the day if a nice tax refund is in your hand. It's all about taking control of your future finances and making the right choices that make the most of *your* money. □

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