

tax&investment newsletter

February 2010

MONTGOMERY TAYLOR, CPA, CFP

"I am proud to be paying taxes in the United States. The only thing is, I could be just as proud for half the money."
~Arthur Godfrey~

Monty's Opening Thoughts...

In recent months we've been working diligently on the production of a video. That's right, a film of our very own—all twenty-two minutes of it. ☺ The title of our movie is **WHAT WOMEN ARE SAYING . . .** About using the tax & financial advice of Montgomery Taylor, CPA, CFP. The movie stars in our show are the nicest and sweetest women you could ever meet—some of our clients. They may not be big names in **Hollywood**, but they are certainly big names in our office. Their names belong up in lights as far as I'm concerned—just watch the video and you'll see what I mean.

We put this video together after realizing that a significant number of our clients who use both our tax and investment services were women, many of them over age 50 and single, widowed or divorced. And, they all said, "I wish I would have found you sooner!" With that in mind, we set out to create a short DVD that could be passed around and watched by potential clients in this niche market of ours. We invited women in to tell their stories, on camera, about working with us. They did a wonderful job! **Barbara** played hostess and interviewed these women—**Oprah look out!**

If you'd like to see the video or know someone you'd like to give one to, just **call our office and we'll send you the DVD.** I certainly appreciate your referrals and will do my very best to provide them with excellent service. We've also put some of these video segments onto our website; you can view them at www.TaxWiseAdvisor.com



I'm grateful for you... In the process of making our video and then again in the watching of it, I stop and reflect

on my client relationships and it brings emotions of joy and satisfaction—to me personally. Without something like this, I could easily get caught up in the "business" of what I'm doing and not see or realize the impact I make on my client's wellbeing. So, thank you, for helping me to stop and smell the roses. I'm truly grateful for each of you and the relationship we have. ★

Got Referrals? This is another way that I see the impact and realize the value that I bring to our clients—through the referrals we receive. When you refer a friend of yours to come see us, I know you value our relationship and what we do for you personally. We've recently taken on a number of new clients whom were referred to us by a satisfied client. It makes me feel good when I get a referral. I appreciate the client who sent their friend to me and I enjoy meeting the new person and seeing how I can help them with some financial difficulty. Please be assured that I will make every effort to help the person you refer to us – increasing their investment wealth and peace of mind.



With warm regards, *Monty*



Is THIS the Time to Buy Commercial Real Estate?

~Healthcare Real Estate paying 7.5%~

After reading the REIT article on page 6, would you be interested in attending a free presentation by Cornerstone? If so, please send Monty an email expressing your interest.

Monty@TaxWiseAdvisor.com

PS. Monty gets NO commission.

~Website Makeover ~

We've recently updated our website with new materials and videos for you to watch!

Please visit us at:
www.TaxWiseAdvisor.com

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Staff News



Valentine's Day is a day to express your feelings and renew the bond of love you share with your Valentine. The staff at Montgomery Taylor & Company would like to share their fondest Valentine's Day memories.

You may recall from prior February newsletters that **Monty** proposed marriage to his sweetheart **Terri** on Valentine's Day in 1979. This one coming up marks a 31 year anniversary for Monty and Terri and their special day.

Barbara loves getting flowers and candy from her sweetheart, but her favorite Valentine's Day was when she was taken away for a weekend, treated to a fabulous dinner and front row tickets to see a performance of Cirque du Soleil. Her man scored big points for that one.

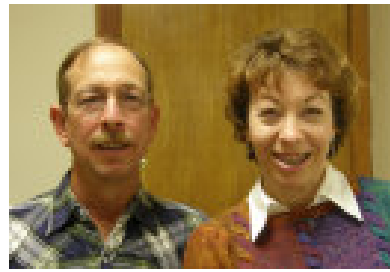


Sandy and her husband **Mark** both have early February birthdays, so by Valentine's Day they are pretty much out of exciting celebration ideas! (In fact, she and a friend spent last Valentine's Day under the house, replacing ductwork that had been chewed through by critters.) Mark, however, never lets the day go by without flowers for both Sandy and their daughters—but NOT red roses, as Sandy spent a few years working for a large florist and trained Mark to stop worrying about the color and go with the best quality!



Mary-Ann has fond memories of a surprise Valentine's Day trip to the Blackberry Inn in Mendocino, a unique inn with the charming atmosphere of an Old West Town—each room is different! (Check it out yourself on the web at www.mendocinomotel.com)

We have a question for you... "Where would you take your sweetheart for a special Valentine's Day celebration?" Perhaps you could send Monty an email with your tip on this one—and keep him in good standing with Terri. Also, their wedding anniversary is this June and Monty is looking for tips on memorable anniversary outings. Any suggestions?



Monty's On Our Side and We Trust Him

Monty really works hard to make sure that you pay the least amount of taxes.

He's on your side, not the government's. And that goes for investments too. He's always trying to make sure that, despite the economy, we're not going to lose as much money as we would be if we were investing elsewhere. He really tries to help people earn money, not lose money with their retirement funds and investments.

Our previous accountant was very impersonal – he was just straight to the point. **Monty's** been completely different from that. He's very good at what he does crunching numbers, but he's also very personable. His staff is very detailed. They were able to find discrepancies in our previous tax returns, and they found us more money. They were able to redo the old tax returns and fix the flaws.

Monty helped us with my mother's trust when she passed away. He got quite involved in it. I was able to dissolve the trust myself, but the tax part of it was horrendous. And he and Mike just did a great job.

You can see that Monty's very sincere about wanting to help his clients and do the best for them. He's constantly taking courses and honing his skills. He's always on the lookout for ways he can save his clients' money and build their portfolios. Like Monty says – I've got my money and my mother's money invested too – we're all in this together.

Monty has been a lifesaver. He's always glad to see us. He gets to know his clients on a personal basis, and we know him well enough to really trust him.

Everyone on the staff has been very friendly and nice to work with . . . on the phone and in person. When we come in we feel like you folks really care; you take care of things and we have a feeling of trust. We're very happy. All our needs are being met.

~Kurt and Esther Hofmeister, Sebastopol



"CUPIDS!"

Tax Strategy of the Month

“Here’s an idea I think will save you money!”

TAX ALERT: PLAN TO TAKE ADVANTAGE OF 2010

The Bush tax cuts have expired – and other big changes are poised to occur.

Do you see a warning light flashing?

Americans with high net worth and high incomes are preparing for the likelihood of higher taxes in 2011 and subsequent years. High earners are almost certainly going to take the hit if the EGTRRA and JGTRRA cuts fade away at the end of 2010. Here’s a summary of what’s happening – and a look at what might happen. There are some developments you will want to remember, and some tax breaks you might very well want to exploit.



No phaseouts on itemized deductions and personal exemptions in 2010. This may provide you with an opportunity for some notable tax savings. Historically, high-income taxpayers have been subject to a reduction in the value of itemized deductions and personal exemptions. That has gradually decreased in this decade. In 2010, the phaseouts are gone entirely. In 2011, they are poised to return.

As IRS standard deduction and personal exemption amounts are indexed to inflation, you’ll see very little change there for 2010. The standard deduction for heads of household will rise by \$50 to \$8,400 for the 2010 tax year. Other standard deductions will stay put, and the personal exemption amount will remain at \$3,650 for 2010.

Lower long-term capital gains rates through 2010. Unless Congress decides to extend these Bush-era cuts, capital gains tax rates will revert to pre-2003 levels in 2011. For 2010, the long-term capital gains rate for those in the 10% and 15% tax brackets is 0%. In 2011, it is set to go to 10%. If you fall into the 25%, 28%, 33% or 35% tax brackets, the capital gains rate is 15% in 2010 and 20% in 2011.

The Tax Extenders Act of 2009. The House passed this legislation on December 9, and the Senate is likely to follow suit. The final version of this bill would likely extend the additional standard deduction for real property taxes, the deduction for state and local sales tax, and deductions for tuition/education expenses and teachers’ classroom expenses into 2010.



The estate tax. 0% estate taxes in 2010? That was the plan ... but the reality is that estate taxes are likely to remain at the 2009 levels in 2010 with some retroactive lawmaking. In early December 2009, the House voted to restore the estate tax for 2010; a week later, the Senate voted against temporarily extending 2009 estate tax levels into the coming year. The Senate will almost certainly take up the issue again. However, to prevent a complete repeal of the estate tax this year, any new legislation is expected to contain a retroactive provision. So instead of taking effect upon passage, any new estate tax law would likely be made retroactive to January 1, 2010.

The AMT. You know how it works – Congress comes up with another AMT patch at the stroke of midnight and middle-class taxpayers are saved once more. Well, just to make things interesting, the Tax Extenders Act of 2009 doesn’t include an AMT patch for 2010, and they didn’t pass it before December 31, 2009. The 2010 patch issue will probably be addressed soon, with the patch for the 2010 tax year made retroactive.



How will marginal tax rates rise in 2011? Does anyone think taxes won’t increase in the near future? At present, the marginal tax rates are 10%, 15%, 25%, 28%, 33% and 35%. If Congress doesn’t act by the end of 2010, the tax brackets will reset to 15%, 28%, 31%, 36% and 39.6%. By the way, President Obama and some Democrats have proposed future tax brackets of 10%, 15%, 25%, 28%, 36% and 39.6% for 2011 (that is, only the highest two brackets would revert to pre-EGGTRA levels).

A healthcare surtax? If the healthcare reforms pass in 2010, taxpayers in the highest brackets might pay even more to the IRS. For example, the legislation that the House passed would require couples with MAGI of \$1,000,000 or more or individuals with MAGI of \$500,000 or more to pay an additional 5.4% surtax.

And finally, a dilemma for Congress. Congress would like to extend the Bush-era tax cuts further to protect lower-income and middle-income taxpayers. However, some analysts say it would cost the federal government more than \$1 trillion over the next decade to do so.



Tax News You Can Use...



Note these tax deadlines

- ♦ **February 1** – Employers must furnish employees with W-2 statements for 2009. 1099 information statements for 2009 must be furnished by payers.
- ♦ **February 1** – Employers must generally file 2009 federal unemployment tax returns and pay any tax due.
- ♦ **February 16** – Deadline for providing Forms 1099-B and 1099-S to recipients.
- ♦ **March 1** – Payers must file information returns (such as 1099s) with the IRS. (Electronic filers have until March 31 to file.)
- ♦ **March 1** – Employers must send W-2 copies to the Social Security Administration. (Electronic filers have until March 31 to file.)
- ♦ **March 1** – Farmers and fishermen who did not make 2009 estimated tax payments must file 2009 tax returns and pay taxes in full.
- ♦ **March 15** – 2009 calendar-year corporation income tax returns are due.
- ♦ **March 15** – Deadline for calendar-year corporations to contribute to certain retirement accounts and still receive a tax deduction for 2009.
- ♦ **March 15** – Deadline for calendar-year corporations to elect S corporation status for 2010.

Give your children the financial education they need



Are your children learning about personal finances from the mass media? If so, they might think credit is a limitless resource and savings something you only find on a clearance rack. To fill in the gaps in their financial education, parents should teach their children the fundamentals of handling money. But where do you start? Perhaps begin with the following benchmarks of financial literacy.

Time value of money. One of the most essential of all financial concepts is the time value of money. Children should be shown the benefits of saving money, watching it grow, and patiently deferring purchases until a future time.

When children grow a little older, they can learn the reverse lesson: how debt today results in accumulated interest costs down the road. To illustrate the point, show them a loan amortization schedule for a typical car or home loan. That will get their attention.

Transactional skills. In today's cashless society, your children will someday need to know how to write a check, use a debit or credit card, and how to bank online. When they are ready, consider setting aside a morning to take them to the bank, introduce them to a representative, and set up their first checking account and bank card. Children will appreciate this rite of passage to adulthood, and they will learn how to navigate an ATM or bank website the right way.



Keeping good records. You might feel a little hypocritical when pointing out your children's recordkeeping shortcomings, but they probably need your help more than you think. Knowing how to reconcile a checkbook and track where they spend their money is a valuable life skill. Developing a system for safely storing receipts, warranties, and other valuable papers is also important. When they begin driving, point out the location and importance of the vehicle proof of insurance and registration.

Reflecting your values. Like any other area of life, you will naturally want to pass down truisms that have guided you financially. Succinct phrases often suit this purpose quite effectively, such as, "keep a little gas in the tank, a little money in the bank." Or, "don't place all your eggs in one basket." Sound corny? Perhaps. But such sayings today might just remind your children of something important tomorrow.

If you value philanthropy, consider including your children in the charity selection process. Teach them why certain causes are important to you, and how you decide how much to give. Consider giving your children gifting discretion over a small portion of the family's charitable dollars.

Investments 101. The day will eventually come when your children will be ready to talk investments, retirement, and taxes. Feeling intimidated yet? There is no need to fear. Our firm can assist you and your children with these advanced topics. Being financially literate is not child's play. But then again, neither is being a parent.



Do you owe self-employment tax?



If you earned more than \$400 during 2009 from work as a sole proprietor or independent contractor, you may owe self-employment tax. That's true no matter what your age – even if you're receiving social security benefits.

The tax is assessed on your earnings from self-employment, which can include income from qualified joint ventures and partnerships, as well as fees you earn working as a director for a corporation. In this context, "earnings" generally means your income after deducting expenses incurred while operating your business. If you have multiple businesses, you combine the net income and losses.

For your 2009 return, the self-employment tax rate is 15.3% of the first \$106,800 that you earned. Income above the base is still subject to Medicare tax at a 2.9% rate.

What happens when you earn social security wages or tips from an employer and also have a side business? Your wages count toward the taxable base. Depending on how much you earn as an employee, your self-employment income may be subject to part or all of the tax.

You can pay self-employment tax on a quarterly basis as part of your estimated tax payments. One half of the total self-employment tax that you pay during the year is deductible on your income tax return, and you don't have to itemize to claim the deduction.

Are you new to self-employment? Give us a call for details and any assistance you need.

Tax Advice Disclosure: To ensure compliance with requirements imposed by the IRS under Circular 230, we inform you that any U.S. federal tax advice contained in this communication (including any attachments), unless specifically stated otherwise, is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties or (ii) promoting, marketing or recommending to another party any tax-related transaction(s) or matter(s) addressed herein. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us.

College Strategist

Paying for College Without Going Broke

Your Child's Senior Year

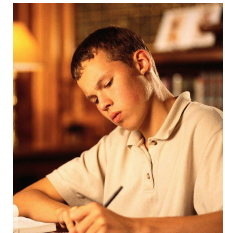
Some of you are at the threshold of the end of your child's senior year of high school. What a wonderful and exciting place to be! While you may have ambivalent feelings about your child "leaving the nest," remember this is something that you have all been preparing for some time. Make sure to treasure this last bit of time before your child leaves home for school.

❖ **Send first semester transcript**

Make sure your child's fall semester transcript is sent to the colleges to which he or she has already applied.

❖ **Encourage your student to continue to challenge him/herself**

The spring semester of senior year is often marked by a serious case of "senioritis." Students may want to "blow off" some of their classes as the senior year nears its



end. Make sure to try and head this off. Help your child to stay motivated in class and make sure she or he attends school every day.

❖ **File your taxes!**

You and your child should file your tax returns as soon as possible. You will need the information from your return to update the FAFSA. You will also want to double check that the colleges that your child is applying to do not require any additional financial aid forms such as the Profile. These forms can be a nightmare so we're glad to take the pain of this part of the process off your back! Feel free to contact our office for tax preparation services or college financial planning. If you engage our college planning service, we will ensure a timely and accurate FAFSA submission.

❖ **Keep your money safe from Financial Aid Formulas!**

We know that one of your goals is to get your child into college – regardless of whether we're in a good economy or a bad one. If you need help protecting the money you've worked so hard to put away for this important occasion, and would like financial strategies to lower your family's EFC, contact our office at 576-8700. It is important to implement any EFC reduction strategies prior to the FAFSA deadlines. The **FAFSA priority filing deadline** for the 2010-11 school year is February 15, 2010.

Financial Strategy of the Month

“Here’s an idea I think will save you money!”

ARE REITs RIGHT FOR YOU?

You can own real estate without having to be a landlord.

What is a REIT? A real estate investment trust (REIT) is a real estate investment company that manages a portfolio of income properties, distributing the lion’s share of its profits as dividends. By getting into a REIT, you can gain an ownership interest in prime commercial real estate ... without the headaches of commercial real estate management.



How do REITs work? On one level, a REIT is an agreement with the IRS. In choosing a REIT structure, a real estate investment company agrees to pay out 90% or more of its taxable profits in dividends in exchange for avoiding corporate income tax.

In the typical public REIT, investors buy shares in the trust. (You may have heard the term “real estate stock” before; that’s what I’m talking about.) Like any other stock, REIT stock offers you the potential for dividend income and share value appreciation. REIT dividend income tends to be stable, as REITs usually invest in large commercial properties involving long-term tenant leases. The REIT may choose to make some of the dividend a nontaxable return of capital, which results in tax deferral and a lower taxable income for the investor during the period he or she holds the stock. That can boost the after-tax dividend yield. REITs don’t pass their losses onto investors, and they usually don’t have minimums.

Non-traded REITs. Most REITs are listed on stock exchanges, but not all are. Some REITs are non-traded (or “non-listed”). Non-traded REITs are akin to private equity funds in that they are usually conceived to last less than 10 years before listing their shares, selling out, or liquidating. They typically invest aggressively when they start buying assets, and their dividend yields can be notably higher than those from publicly listed REITs.

Are REITs right for your portfolio? Many investors are considering REITs these days, attracted by the diversification they provide for a portfolio. Notably, there are REIT mutual funds, closed end funds, and REIT ETFs to choose from, among several options. Before you make the move to invest in a REIT, be sure to speak with a qualified financial advisor who knows the particulars surrounding REIT investment.

For example... Cornerstone Healthcare Plus REIT, Inc. is currently in its private-offering stage, accumulating investor assets and acquiring properties. This non-traded REIT is focusing on the healthcare real estate market, acquiring senior housing and medical facilities all across the United States. They have already brought in \$49 million of the \$400 million they are seeking and have purchased five beautiful properties. With the commercial real estate market in a slump, this is the ideal time to buy. Especially in the healthcare real estate market, given the aging U.S. population and the ongoing demand for healthcare services.

This Cornerstone REIT is paying 7.5% (current annualized distribution rate) and has a share price of \$10.00. There are investor suitability requirements to meet and please see a prospectus for more information regarding risks you should understand before investing. This article is not an offer to sell any security. **By the way**, this is a non-liquid investment and only suitable for a small portion of your portfolio. Don’t ever invest ALL of your money in a non-diversified, non-liquid investment. I’ve got clients that could tell horror stories about prior investments where they took on more risk than they knew—until it was too late.



Green Label Portfolio™

Notes from Monty's private money management file...

We started January with an allocation of 40% cash, 55% stock and 5% commodities. I had been accumulating cash and waiting for a pullback in the market, in order to place additional funds into stock and/or commodities.

Since last summer, there have been four pullbacks, -3.04%, -3.51%, -4.33%, and -5.62%. After each pullback the S&P 500 has gone on to record recovery highs, and investor sentiment continued to increase. During the week of January 18th, the broad market dropped about 5% and comparing this to recent pullbacks, I decided to use this as the opportunity to deploy new money into stocks. On January 25th new stock purchases were placed into various exchange traded funds and mutual funds.

The new ETFs were chosen for their 'relative strength.' The basic concept of relative strength is that the stocks that are stronger, compared to their peers, will appreciate to a much greater degree than the average issue. This dictates buying stocks after they have already made significant gains. The average investor finds this difficult to do because it is, in effect, the opposite of the conventional lore of buying low and selling high. Instead, this is a buy high, sell higher approach. The high relative strength stocks offer the potential for the greatest gains.

In January we had an example of one of our **risk management** tools take place. On January 19th, I determined that we had a low risk setup to buy into the **United States Oil Fund (USO)**. According to the technical analysis of the charts, USO was oversold, trading at support and had a bullish reversal candle. This was signaling the end of a downtrend and the beginning of an uptrend. This being the case, I took a 5% position in USO. However, since this trade was dependent on catching a trend change, I humbly placed a stop loss order on this position. Good thing too; USO dropped the next day and has continued to slide. On January 21, the stop loss order took effect and we were out with a 3% loss on this small position. This type of trade is rare for me, but it is one of the trade styles I occasionally employ.

As of this writing (1/28/10), the S&P 500 Index is down about 3.75% in January and the Green Label Portfolio is down about 2.5%. This of course is not good per the **January Barometer**. The January Barometer is based on the performance of the S&P 500 in January. If it finishes January on the positive side of the ledger, the barometer predicts an up year. Conversely, if it finishes on the downside, it predicts a down year. Over the last 70 years, the January Barometer has been correct 51 times and wrong 19 times in predicting the rest of the year's performance. This doesn't bode well for the S&P 500 and it's another reason I'm optimistic about this Green Label Portfolio and its objective to achieve a positive return—no matter what happens in the economy.

We end January with an allocation of 21% cash, 74% stock and 5% commodities. I believe this will be a year where we buy into natural resources and precious metals as a safe haven from the perils of our fragile global economy.



Montgomery Taylor, CPA

Client Benefits:

1. Expert tax-saving advice as a regular part of your income tax preparation
2. Professional Service Warranty that guarantees you the largest tax refund possible with the lowest tax liability
3. Your tax returns completed within five business days of when you provide all necessary data
4. Your phone calls returned promptly (any time of year), always within 24 hours
5. Help with allocating your 401(k) investment funds
6. Monthly ClientAdvisor Newsletter
7. Professional online tax advice anytime ~ mtaylor@taxwiseadvisor.com

Platinum Tax Maintenance Program

2009 Member Benefits:

1. ALL CPA Client Benefits listed above, **AND**
2. Three phone consultations (20 minutes each or a total of 60 minutes) during the tax year scheduled through our appointment desk
3. W-4 review to be sure your withholding is correct
4. Audit assistance in the event you are subject to an audit for the 2009 year, limited to four hours of service at no additional expense
5. Answer all IRS notices and correspondence you receive for 2009 tax year
6. Answer FTB notices and correspondence including Head of Household Audit Letter for 2009
7. 1 additional copy of tax year 2009 tax return
8. \$50 discount on our fall tax planning appointments scheduled through our appointment desk

Montgomery Taylor & Company, LLC,

Registered Investment Advisor

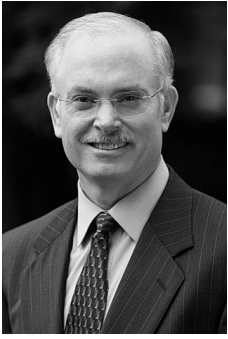
Client Benefits:

1. Independent, unbiased, investment advice on a fee-only basis (no commissions)
2. Investment management for any account size (no minimums)
3. Monthly account statements directly from Fidelity Investments
4. Quarterly performance reports and consultation meetings
5. Tax-sensitive investing strategies integrated with your financial planning
6. Monthly ClientAdvisor Newsletter
7. Weekly Economic Update e-mail communication

College Plan Advisors, LLC

Client Benefits:

1. Student Counseling and Assessment
2. Calculate Expected Family Contribution
3. College Funding Strategies & Planning
4. Complete your FAFSA Forms
5. Complete your CSS Profile Forms
6. Appeal/Negotiate Better Awards
7. Monthly Cash for College Newsletter
8. Monthly ClientAdvisor Newsletter
9. Weekly "Tip of the Week" E-Mails



Monty's Money Message

Monty started his career in financial services about 30 years ago as a Stockbroker. He then became a Certified Public Accountant, Certified Financial Planner, Certified IRA Distribution Specialist and Registered Investment Advisor. With all these years of experience, he has a wealth of information to share with you about money and how you can prosper. Monty recently received the "America's Top Financial Planners" award of excellence from the Consumers' Research Council of America. Monty was selected from among his peers based upon years of experience, formal education and specialized professional certifications and designations achieved.

"Help! I've Lost My Job and Can't Pay My Bills..."

Every once in a while I get one of these calls from a client. There is disbelief and desperation in their voice—and I know it took them a long time to pick up the telephone and make this call. My heart goes out to them.

Before you stop reading—thinking this article doesn't apply to you—think twice and keep reading anyway. This could easily be you.

When this happens to you, you are caught completely off guard. This is the last thing you were expecting. You know it's happened to others—but never in a hundred years did you expect you would find yourself in this desperate situation.



Here's what you need to do. Make yourself a nice cup of coffee or tea, sit down, relax, and then work your way through these steps:

- 1. Find a new source of income.** Obviously, you first look for a new job that you have training and experience for. This is probably where you could make the most money. But, if a job in your industry is not forthcoming, then you gotta do what you gotta do... take any job—anywhere. Personally, I'd work at McDonald's flipping burgers before I'd let my family starve – wouldn't you? Now if you have some money in the bank, you may think this is an opportunity to go back to school or start a new business. Maybe it is, but you need to be very realistic about those choices and what the possible outcomes are. Don't get yourself deeper in trouble.
- 2. Look for expenses you can reduce or eliminate.** Go through your list of monthly expenses and see what you can live without—eliminate expenses where possible. You can easily drop your cable service, cell phone, gym membership, beauty parlor, dining out and a half dozen other things. There are some expenses you may not be able to eliminate, but you may be able to reduce them. Get creative, check out all possibilities of reducing each expense category. Also, leave your checkbook, credit cards and ATM cards at home—it will help you to stop buying, especially the impulse items.
- 3. Try to consolidate or eliminate debts.** You may be able to consolidate some debts, transfer debt to lower interest rates or negotiate lower interest rates or better terms. You may have better luck doing this on your own—there are awful stories going around about working with credit counseling agencies.
- 4. See what assets you have which could be sold.** Sell your RV, boat, motorcycle, classic car, and the hundred other unnecessary items you have stacked up around your home. It was nice while the music was playing, but that has stopped now and we need to get our house in order. Have a garage sale—every weekend until you have nothing else you can't live without. Yes, even consider selling your house (or other real estate you own)! Perhaps your overall housing expenses would be less, if you bought or rented a smaller home—dare I say mobile home?
- 5. Prepare yourself so you won't be caught off guard again.** Okay, I agree, there were no classes on this stuff in high school. Things like this you may just have to learn from the school of hard knocks – unless you're fortunate enough to learn it from observing others and learning from their mistakes. What's done is done, but you can make a promise to yourself to never let this happen again. It takes a serious and disciplined belief in living within your means. Here is some of what that entails: save 10% to 20% of every dollar you earn, only buy on credit what you can pay off at the end of the month, use insurance (life, disability, health, home, auto, liability) to move large risks from you to an insurance company, keep your job skills up to date and your resume looking good, seek out the unbiased advice of a professional when making large financial decisions.

Sorry, if you think I've stated the obvious here. This type of financial crisis sneaks up on people so gradually that they're blindsided and can easily be confused and disoriented. **You really have two choices:** **1.** Increase your income, or **2.** decrease your expenses. And, then, live within your means or you'll be facing the music all over again someday. I truly hope this helps you . . . and I don't mind your calls—desperate or otherwise.

