

# Financially Speaking

Professional Guidance For the Future You Deserve

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## Is Your Home Part of Your Investment Portfolio?

Homeownership is one of the most personally satisfying events that can take place in a person's life. We derive a great sense of pride and security from our homes. Given the great run-up of California real estate values we also tend to be pretty smug about how much our homes have appreciated. But let's talk a little bit about whether this appreciation should be considered part of your investment portfolio.



One of the most important things to recognize is that an investment portfolio should be properly diversified. This diversification includes domestic stocks, international stocks, bonds, cash and real estate. The question at hand is whether your home should be considered for inclusion in the real estate portion of your portfolio.

Probably not. A home is where you live. Unless you have paying tenants, treating it as an investment doesn't make sense. Your primary residence, since it doesn't generate income, can't be compared to true real estate investments such as a Real Estate Investment Trust (REIT) or rental property. In other words, your home is a consumable or use asset. While it may appreciate in value, since it is your home, where you live, it is generally not accessible as a sale item in the same manner as stocks, bonds or investment real estate.

So, keep your bragging rights when letting your relatives in Iowa know how much your home has appreciated in the last few years. *But try not to think of your home as an investment in the purest sense.* Therefore, it's important to utilize other forms of real estate investments such as REITs to diversify your portfolio. (What is a REIT : see <http://en.wikipedia.org/wiki/REIT>)

## A New Way to Save Your Tax Refund



Okay, so it might be a little early to talk about your tax refund especially since it's a few months before you're actually going to file your taxes. I just wanted to let you know about a new federal law that has been passed to encourage you to save more money for retirement.

**The Pension Protection Act of 2006**, which President Bush signed into law last month, allows taxpayers to authorize direct deposit of their refunds from the federal government into an **Individual Retirement Account (IRA)** effective *January 2007*. Historically most folks use their refunds to buy things. Given the fact that many people haven't saved enough for retirement, this could be a good way to make sure that you fully fund your IRA or Roth IRA each year.

The Internal Revenue Service is still working out the details. Watch for some press stories on this feature of the new law in early 2007. So, unless you plan to use all or some of your refund to pay down debt, making an automatic deposit into an IRA or Roth IRA could be a wise move. (<http://www.irs.gov/retirement/article/0,,id=137283,00.htm>)

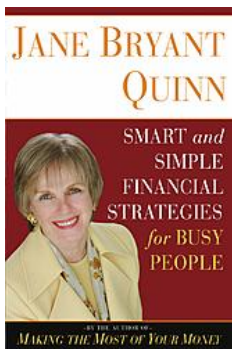
## Financial Trivia

"Americans are now pessimistic about the future. For the first time in our history the older generation feels their children will not have a chance to do better than themselves particularly in the areas of health care affordability and homeownership." Jennifer James, Cultural Anthropologist

- 57% of workers considering changing jobs think they're underpaid. According to [www.salary.com](http://www.salary.com) only 19% are.
- *Overdue library books and unpaid traffic fines may lower your credit score if you live in a community where these are reported.*
- The group which is most susceptible to identity theft is age 25 to 34.
- **Twenty-one percent of adults surveyed believe winning the lottery is their best chance for accumulating significant wealth for retirement.**
- 76 million baby boomers, approximately one quarter of the US population, will reach retirement age in the next several years

The group which is most susceptible to identity theft is age 25 to 34

## Book of the Month



### **Smart and Simple Financial Strategies for Busy People**

*By Jane Bryant Quinn*

Jane Bryant Quinn covers all key areas of financial planning and does so in logical order. Recognizing that everyone's very busy, her personal approach encourages simplification in order to stay abreast of your family's financial planning needs. This book covers the basics and provides motivation to get the job done.

To Read Jane Quinn's Bio: [http://www.eaglestalent.com/speaker\\_bio.asp?id=358](http://www.eaglestalent.com/speaker_bio.asp?id=358)

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## Written Record

Did you know that the **Internal Revenue Service** allows deductions for household goods, homes and other kinds of property lost or damaged because of *burglaries, vandalism, fires and weather disasters*? But, in the usual IRS manner there are several rules to follow to maximize your deductions for theft and casualty losses. The most basic of these rules is that you must substantiate your losses through well-kept records. The burden of proof is on you. But to be fair the agency offers a free guide, *Publication 2194, "Disaster Losses Kit for Individuals"* available at <http://www.irs.gov/pub/irs-pdf/p2194.pdf> or [800-829-3676](tel:800-829-3676).



*Publication 2194* gives clear directions with a workbook in which you can list your personal possessions and the contents of your home. It uses a room by room format for creating your lists. In addition there are places for you to record details such as current value, purchase date, initial cost and the deductible amount.

The side benefit to recording these items for the IRS, the workbook will make it easier for you to substantiate a loss for your insurance company.

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## Open Enrollment for Medicare Part D

**November 15 to December 31 is the open enrollment period for the Medicare part D Prescription Plan.** It's important to review the current plan coverage to ensure that you or your loved ones are receiving the best coverage for the cost of the insurance premium.



The best place to make plan comparisons is at [www.Medicare.gov](http://www.Medicare.gov) web site. Comparing total current and anticipated prescription costs, pharmacy choices, premium costs of several plans are possible at this very usable website. Open Enrollment is the only time of the year you have to change from one insurance company to another. It is also a good time to see if a *Medicare Advantage plan* (which may have different Open Enrollment dates) would work for you. Often *Medicare Advantage* plans, which usually operate as an HMO, combine health insurance and prescription coverage together simplifying bill paying.

As some Medicare Part D Prescription Plans are changing coverage policies and premiums for 2007, take the time to check your current provider and others

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## Take Steps to Save Lives!

### A message from the National Breast Cancer Foundation



We need your help. In recent months, we have experienced a drop in the number of clicks on the "Fund Free Mammograms" button, resulting in fewer working poor, homeless and uninsured women receiving the screening they need to detect breast cancer...

Every click on the pink button sends funding to the National Breast Cancer Foundation to pay for mammograms for women who cannot afford them. The more people who click, the more free mammograms we can fund. Early detection is crucial to surviving breast cancer. The bottom line: We need more clicks.

Visit: [www.thebreastcancersite.com](http://www.thebreastcancersite.com)

**FUND FREE MAMMOGRAMS**  
→ Click here daily, it's free! ←

## Your Christmas Budget



It's that time of year again when the upcoming holiday season begins to invade our thoughts. It's a great time to get serious this year about your holiday budget so that you won't be making payments on your credit card for several months into 2007.

Gift giving should be a pleasure, fun and creative. It definitely shouldn't cause worry. So, plan how much you will spend on gifts and entertaining this year and stick to it. Give yourself the gift of a debt-free holiday season.



### Charitable Organizations

Each month we will provide space and highlight a different charitable organization. If you have a favorite charity and would like to see it highlighted in this news letter we welcome your suggestions. Please e-mail us at [mlgfinancialplanning@hotmail.com](mailto:mlgfinancialplanning@hotmail.com).

This months featured charity:

The National Breast Cancer  
Foundation

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