

MONEY MATTERS



ROOKIE MISTAKES

Missteps young investors should avoid

PARTNERING UP

How to find a financial planner you can trust

SURVIVING A RECESSION

Plan ahead for the next recession



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Finding a financial planner you can trust

BY DANIELLE RAY
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Finding a financial planner can seem daunting, especially for those searching for the first time.

Johanna Fox Turner, owner of Milestone Financial Planning in Mayfield, said the key is comfort. “The big thing is to ask questions and not be shy about it,” Turner said.

“It’s your money. So many people put their money in the hands of these people who have a shingle over their door and think that it’s going to be OK.”

Turner said a good certified financial planner (CFP) should be accessible to clients and should make each client a priority. A CFP differs from an investment broker by fiduciary duty, the obligation to put the sole needs of the client first without consideration of the CFP’s own gain.

“Most people tend to pigeon-hole financial planners into investment advisers,” Turner said. “They tend to equate (CFPs) with people who sell investments or sell stocks. That’s not a financial

planner.”

Some financial planners work solely in real estate, insurance or another subcategory of financial planning.

“What a financial planner does is more of a service rather than a product,” Turner said.

Turner said many types of financial planners are beneficial but recommends hiring a fee-only CFP. Fee-only CFPs exclusively provide the service of financial planning without offering any other services, such as insurance.

“If I think a client needs life insurance, they find their own person to provide that or I help them find that resource,” Turner said.

“If you sell life insurance, you’re more apt to recommend the product for the commission you’ll receive and not what’s best for the client.”

Wendy Kester, a CFP at Paducah Financial Consultants, has a somewhat different take.



Johanna Fox Turner writes down figures while discussing the plan of client Mary Ann Creekmore at Turner’s office in Mayfield.

JOHN WRIGHT | The Sun

Mistakes to avoid for first-time investors

BY ADAM SHULL

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Investing begins with research and developing goals.

And so many first-time investors overlook that step entirely.

"One of the first things we ask is, 'What is the objective of the money?'" said John Williams, branch manager and senior vice president of the Paducah branch of Wells Fargo Advisors.

"Sometimes that's easy for people to answer, sometimes that's very difficult."

An investment plan can change depending on if someone wants to put away money for retirement or earn income off a recent bonus or go for short-term returns.

Even the best-laid plans are wasted if expectations for the amount of money invested aren't ironed out from the beginning, Williams said.

Williams — along with Hal Sullivan, Paducah branch manager of Hilliard Lyons, and Heath Bowling, head of the Edward Jones office in Paducah — offered their advice to first-time investors and those who have considered investing, to



Hal Sullivan, far left, senior vice president and branch manager for Hilliard Lyons, meets with his staff at the 2929 Broadway office. Tips from finance professionals can help folks avoid feeling the full force of another recession.

help folks avoid the rookie pitfalls.

Investing without a plan

"A lot of times, investors will just jump in and make an investment without developing a strategy," Bowling said. "You need to know what your objective is and know what kind of

risk you're able to take."

Sullivan said a good place to start is to consider dollar cost averaging, an investment strategy that automatically has you buy fewer shares when prices are high, more when they are low. "It gives you a much better average price than going all in with your money at one time," Sullivan said.

ments are important," Sullivan said. "Focusing on package products like mutual funds, getting dividend paying stocks, things like that can accumulate over time."

Forgetting the long term

Bowling said he shares a fact with investors that helps emphasize the long in long-term: If you were waiting to invest and missed the best 30 days in the past 30 years, it cuts your returns in half.

"Now, we don't have any idea when those best 30 days are going to be," Bowling said. "But stay disciplined and they'll (investments) will do the right thing."

Sullivan said, "It's very difficult to know what news headline, positive or negative, is going to send the market off in either direction."

"That's what leads us to using a model that focuses on quality and diversification. Investor attitudes are becoming more aware of the volatility issue, they tend to panic a bit less and those people who stayed invested through the 2008, 2009 and 2010 period, they've participated in the

recovery process which is where the lion's share of the major gains are made."

Know your style

Williams said when he last checked, about 20 percent or so of investors invest on their own online or through some other means, and that works for some.

"Whatever service you're using, whoever you're talking to, make sure it's a good fit for you," Williams said.

"It doesn't have to be sophisticated to be successful." Which leads to another piece of advice...

Being intimidated

"Whenever I tell someone, 'I've got a way to simplify this,' I see this relief come over them," Williams said.

"People need to feel comfortable that they know what is happening with their money." In short: Do what you must to feel comfortable and confident with the decisions you, or your adviser, is making.

Contact Adam Shull, a Sun staff writer, at 270-575-8653.

Going mobile can be less taxing

BY CAROLE FELDMAN

Associated Press

For the taxpayer on the go trying to file a return quickly and easily, there's an app for it.

"We're trying to anticipate and follow trends you see in the real world," said Bob Meighan, a vice president at TurboTax.

And the trend is mobile, from smart phones to tablets. "People want simple solutions," he said.

Taxes-on-the-go applications are a natural next step to the explosion in electronic filing.

TurboTax has SnapTax, which allows those filing the simplest tax form — 1040EZ — to file directly from their iPhone or android. Similarly, H&R Block has H&R Block At Home for filing simple returns via those smart phones.

The IRS says the typical 1040EZ filer is a wage earner who has income of less than \$100,000, is under 65, and doesn't have kids, own a home, or qualify for most other deductions or credits.

Meighan said about 24 million people file the 1040EZ. "You can literally do your return in 10 or 15 minutes max," he said.

Taxpayers can use smart phones to take pictures of documents like the W-2 form, and an optical reader imports the photos into the tax forms.

Both companies allow you to download the applications for free, but there's a cost for filing.

"We take away the barrier of entry, provide confidence along the way and provide support along the way," said Gene King, spokesman for H&R Block. He said the company also offers audit protection for filers using the smart phone app.

The Internal Revenue Service also has an application for iPhones and androids, IRS2Go, that lets taxpayers check on the status of refunds and get tips. It can't be used to actually file a return. A report by the Inspector General for



TurboTax's SnapTax app allows those filing a 1040 EZ form to file directly from an iPhone or Android smart phone. Taxes-on-the-go applications are a natural next step to the explosion in electronic filing.

"We take away the barrier of entry, provide confidence along the way and provide support along the way."

Gene King
Spokesman, H&R Block

Tax Administration said that for security reasons, taxpayers should only download the application from the Apple App store or the Android Market.

IRS spokesman Terry Lemons said an update to

the IRS app later this year will link to the agency's YouTube videos and give taxpayer tips. "We're never going to challenge Angry Birds for downloads but we got a pretty good response last year," he said.

Key numbers for filing tax returns

Associated Press

Some key numbers to know when filing your 2011 tax returns, according to the Internal Revenue Service:

Personal exemption

■ Each personal or dependent exemption is worth \$3,700.

Standard deduction

■ \$11,600 for married couples filing a joint return, and qualifying widows and widowers.
■ \$5,800 for singles and married individuals filing separate returns.
■ \$8,500 for heads of household.
■ Taxpayers who are 65 or older or who are blind may be eligible for a higher standard deduction.

Alternative minimum tax threshold

■ \$74,450 for a married couple filing a joint return, and qualifying widows and widowers.
■ \$48,450 for singles and heads of household.
■ \$37,225 for married individuals filing separately.

Income tax brackets

■ 10 percent; 15 percent; 25 percent; 28 percent; 33 percent; 35 percent.

Earned income tax credit

To qualify income can be no greater than:

■ \$43,998 (\$49,078 married filing jointly) with three or more qualifying children
■ \$40,964 (\$46,044 married filing jointly) with two qualifying children
■ \$36,052 (\$41,132 married filing jointly) with one qualifying child
■ \$13,660 (\$18,740 married filing jointly) with no qualifying children

Maximum credit

■ \$5,751 with three or more qualifying children
■ \$5,112 with two qualifying children
■ \$3,094 with one qualifying child
■ \$464 with no qualifying children

Capital gains

■ 0 percent if taxed in the 10 percent or 15 percent brackets.
■ Top rate of 15 percent if taxed in higher brackets.

Standard mileage rates

Business use
■ 51 cents a mile, Jan 1 - June 30, 2011
■ 55.5 cents a mile, July 1 - Dec. 31, 2011
Medical reasons or qualified move
■ 19 cents a mile, Jan 1 - June 30, 2011
■ 23.5 cents a mile, July 1 - Dec. 31, 2011
Charitable purposes
■ 14 cents a mile

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AP Photo/Mel Evans, File

Buildings, fields and roads flood near Liberty, N.J., as remnants from Tropical Storm Lee produce heavy rain Sept. 9. There were a record number of billion-dollar natural disasters in the United States in 2011, and taxpayers who suffered losses may be able to get some relief when they file their income tax returns.

Natural disaster losses may produce tax relief

BY CAROLE FELDMAN

Associated Press

Tornadoes and hurricanes. Wildfires and floods. Earthquakes and blizzards.

There were a record number of billion-dollar natural disasters in the United States in 2011, and taxpayers who suffered losses might be able to get some relief when they file their income tax returns.

“It’s a silver lining on otherwise terrible events,” said Mark Steber, chief tax officer at Jackson Hewitt Tax Service.

“Tax laws in many cases are very favorable,” he said.

There are special provisions if the loss is a result of a federally declared disaster. But losses don’t have to fall into that category to be deductible, said Bob Meighan, a vice president at TurboTax. Even if the storm was localized and smaller, you still might be eligible to take a casualty deduction for losses exceeding what you were reimbursed by insurance.

The Internal Revenue Service defines a casualty loss as “the damage, destruction or loss of your property from any sudden, unexpected or unusual event such as a flood, hurricane, tornado, fire, earthquake or even volca-

“It’s a silver lining on otherwise terrible events.”

Mark Steber
Chief tax officer, Jackson Hewitt Tax Service

nic eruption.”

There were plenty of those events last year, ranging from the Groundhog Day blizzard that hit many central, eastern and northeastern states, to tornadoes in the Midwest and Southeast, Texas wildfires and Hurricane Irene. The National Oceanic and Atmospheric Administration says there were 12 natural disasters last year that each wreaked more than \$1 billion in damages.

Losses from natural disasters generally are treated like other casualty losses or theft on your income tax.

What’s not deductible: damage by the family pet, or accidental breakage or losses as a result of normal wear and tear.

If your property is covered by insurance, the IRS requires that you file a claim with the insurance company in a timely manner before trying to deduct the loss.

Only losses not covered by insurance may qualify for relief on your federal income tax. To be deductible, your total loss — less \$100 for each loss event during the year — must exceed 10 percent of your adjusted gross income.

If it doesn’t, it’s possible you could still treat it as a net operating loss that can be claimed on past or future tax returns. Check with a tax specialist.

Jeff Schnepfer, author of “How to Pay Zero Taxes” (McGraw-Hill, 2011), said it’s important to establish the cost and fair market value of the damaged items before the disaster, and then the fair market value afterward. “The best way to prove that is pictures.”

Filing insurance claims also will help establish the worth of the property and the extent of the damage.

You’ll have to file Form 4684 and itemize deductions, also filing Schedule A with your tax return. IRS Publication 547 provides information and instructions for filing casualty and theft deductions.

Taxpayers who are in federally declared disaster areas have the option of taking the deduction for their losses on their 2011 returns or filing an amended return for 2010.

PLANNER: Kester advises against free financial plans

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Kester said her firm provides financial planning and offers asset management, though CFP clients are not obligated to use its asset management services.

Kester said both options are beneficial. She suggests hiring a CFP who is willing to provide financial planning only, but said if a client is in need of asset management, implementing a personalized financial plan with the CFP who designed the plan will save the client some steps and possibly some money.

Kester warned, though, against free financial plans. In line with Turner’s recommendation of fee-only financial planners, Kester said CFPs who also work in a related field — personal accountants or insurance agents, for example — sometimes offer free financial plans in an effort to lure clients in so they can sell them a separate product or service.

Kester encourages clients not to be put off by a fee for a financial planning

Questions to ask your certified financial planner

- How do you get paid?
- What credentials do you have?
- How long have you been in the business?
- What states are you affiliated with?
- What is your investment philosophy?
- How often will you want to see me?
- Do you charge additional fees for future meetings?
- How will you diversify my portfolio?
- Will I work directly with you or with another agent in your office?
- Also ask about their education and any disciplinary actions taken against them.

Source: Johanna Fox Turner, owner of Milestone Financial Planning in Mayfield

service.

“A good financial planner should be able to help you avoid a mistake or help you make small adjustments that will ultimately turn your fee into a successful investment in your future,” Kester said.

But as Turner pointed out, ask up front if a CFP charges a one-time fee or if any additional fees can be expected.

Kester encourages people of any age who are in need of a budget or savings

plan, regardless of assets, to sit down with a CFP.

She also advises folks who already have a financial plan to continue updating it every year or two.

“Make the financial plan a living document that they continue to refine. ... Continue to establish goals and work toward reaching those goals,” Kester said.

Call Danielle Ray, a Sun staff writer, at 270-575-8657.

Looking ahead: Individual, capital gains rates unchanged

BY CAROLE FELDMAN

Associated Press

As Americans receive their first paychecks of the new year, there are some tax provisions they can count on.

Individual tax rates will be the same for 2012 as they were in 2011, as will the 15 percent maximum tax rate on capital gains. People at higher incomes won’t see their personal exemptions or deductions phased out. And credits for adopting a child and for college expenses continue.

But several deductions, credits and other provisions that existed for 2011 will no longer be in place.

The Alternative Minimum Tax exemptions will drop to pre-2001 levels if Congress doesn’t pass a patch and make it retroactive to cover the entire year. If history is any guide, however, Congress will do that.

Similarly, without congressional action people over 70½ will no longer be able to make tax-free withdrawals from their IRAs for a charitable contribution, and teachers won’t be able to take a \$250 deduction for classroom supplies bought with their own money.

“During the course of 2012, the IRS will be keeping a close eye on developments in Congress,” agency spokesman Terry Lemons said. “There are a lot of open question marks.”

The 2012 presidential elections, the partisan discord in Congress and the outcry over the size of the federal deficit all add to the uncertainty. If there’s any doubt, just consider the battle over extending the 2 percentage point cut in Social Security payroll taxes. Agreement could only be reached on a two-month extension despite statements by the White House and both Republicans and Democrats in Congress calling for retaining the reduction for all of 2012. That battle will resume later this year.

The IRS recommends reviewing your withholding sometime during the year to make sure it is in line with what your tax liability is likely to be. There’s a withholding calculator on its website, www.irs.gov. By having less withheld, people can get their money upfront, rather than waiting for a refund.

For most of us, checking our withhold-

ing and preparing tax returns are among the biggest financial tasks we face, Lemons said.

Some of the tax law provisions still in effect for 2012:

■ The Bush tax cuts, which set marginal income tax rates of 10 percent, 15 percent, 25 percent, 28 percent, 33 percent and 35 percent. These rates will increase beginning in 2013 unless they are renewed by Congress.

■ Capital gains tax rates of 0 percent and 15 percent. Capital gains generally are the increase in the value of an asset from time of purchase until sale. Net long-term capital gains — those on assets held more than a year — are taxed at the 0 percent or 15 percent rate. Net gains on assets held less than a year — short-term gains — are taxed at the regular income tax rates.

■ The child tax credit of \$1,000 per child. The credit will drop to \$500 in 2013 unless Congress acts.

■ The higher earned income tax credit for families with three or more children. After 2012, families with three or more children will be treated the same as those with two children if Congress doesn’t pass an extension.

■ The credit for expenses associated with the adoption of a child. However, the adoption credit is no longer refundable and is limited to \$12,650 in 2012. It phases out for those with higher incomes.

■ The American Opportunity Credit, which allows a maximum credit of \$2,500 for tuition and other expenses for each of the first four years of higher education. The credit, which also phases out at higher incomes, is partially refundable.

Some of the provisions that expired at the end of 2011:

■ A patch for the Alternative Minimum Tax. Absent congressional action, the exemption will drop to \$45,000 for married couples filing jointly, \$33,750 for single person or the head of a household, and \$22,500 for married people filing separately.

■ The deduction for state and local sales taxes, in lieu of state and local income taxes.

■ The deduction for qualified tuition and fees.

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