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Did You Know...?

News you can use for your financial well-being

September 2006

- ✓ **The Best Way to Save for College**
- ✓ **Three simple steps to success**
- ✓ **Success Stories: *De-Stress Your Finances***
- ✓ **Timely Tidbits**

Three simple steps to success

Drawn from my efforts to help hundreds of individuals like yourself achieve financial and personal success over the past two decades, here are the three most important things I think you can do to be successful:

1. Identify your personal and financial goals. How can you know where to invest and how much to save if you don't know what you're trying to achieve? Sit down with your spouse or significant other and spend a couple of hours outlining what your hopes, dreams, and goals are. Prioritize them, and make a firm commitment to working toward achieving the top three. Once you've gotten a handle on the top three, expand the list.

2. Get all of your money working for you. This means consolidating old, forgotten accounts; putting lazy money (excess checking and savings account balances, for example) to work; and focusing your investments and savings toward your personal goals. Not only will this help you understand your finances better, it will increase your chances of success by ensuring every dollar you have is working in the best way toward your personal goals.

3. Take control of your cash flow. The key to success, unless you hit the lottery, is saving money. Remember the old adage "Pay yourself first"? The only way you can do this is if you first know where your money is currently going. Buy a program like Quicken and use it. View your household like a small business: what kind of business wouldn't track income and expenses?

If you have questions or I can help you in any way to accomplish these three things, please don't hesitate to let me know.

The Best Way to Save for College

Below is an excerpt from a column I recently wrote for the newspaper. You can access the full column via our website, www.KevinKennedyLLC.com, under "Kevin's Columns-Current Edition".

If one of your financial goals is to pay for your child's college education, the route to success just got a lot clearer. In most cases, the Section 529 college savings plans are by far the best way to accumulate money towards this goal. Recent tax law changes have made 529's an even clearer choice for reaching this goal.

What's Changed?

One big issue that held parents back from using 529 plans was the tax benefits expired in 2010 (they had a "sunset" date like most of the provisions of the 2001 EGTRRA tax act). This uncertainty caused many to hold off from funding 529's to a great extent. However, the Pension Protection Act, signed into law on August 17th of this year, has made permanent the tax exemption of 529 plans. Now, people can save through 529's knowing the money will not be taxed if withdrawn for qualified college expenses. This change has made 529s a clearly preferable way to accumulate money for college.

Another big change that affects both 529 plans and UTMA/UGMA accounts is the treatment for financial aid calculations. 529 plans are considered an asset of the parent, and only 5.64% of parent's assets go into the Expected Family Contribution calculation when applying for Federal aid. However, UTMA/UGMA accounts are assets of the student, and 35% of the student's assets are included in this calculation. However, as a result of recent legislation, assets transferred from a UTMA/UGMA account to a 529 plan will be considered assets of the parents. This beneficial treatment greatly increases the chances of qualifying for aid.

Conclusion

Based on the changes recently enacted, it makes more sense than ever to check into 529 plans as a way of attaining the goal of paying for your child's college education. Even if you have other sources of money set aside, the tax benefits and control inherent in 529 plans make them a strong candidate for inclusion in your financial plan.

Success Stories: *De-Stress Your Finances*

Money doesn't have to be a source of stress. Once again: money doesn't have to be a source of stress. Without a doubt it is for many people. But I firmly believe it doesn't have to be.

This doesn't mean you always have to be thrilled with your financial state-of-affairs, but this need not cause stress. Stress is an unproductive, harmful thing, and one of my main goals is to reduce or eliminate your stress surrounding your finances. In my many years of advising clients (and managing my own finances), I've dealt with all sorts of uncertainties, emergencies, bad habits, and lack of focus or knowledge. Through study, trial-and-error (on myself), and seeing what does work, I've participated in more successes and failures than most people will experience in their whole lifetime. This bank of knowledge is one of the most valuable things I can offer you.

Think about the stress you might have surrounding money. Managing your monthly budget? Paying too much in taxes? Financial demands your kids/grandkids place on you? Gyration in the investment markets? Wondering if you'll "have enough"? Feeling guilty about enjoying your financial success? If any of these things resonate with you, please don't hesitate to let us know. Our mission is to do more than manage your money. Here is our actual Mission Statement:

We partner with our clients to establish and achieve life goals through objective planning and management of resources. We enable you to build, manage, and preserve your wealth and insure the application of your wealth to the achievement of your life goals. We put your interests first, act with integrity and honesty, and deliver excellence in every facet of our practice.

The "Three Simple Steps to Success" mentioned earlier in this newsletter is an application of the experience we've had, but there's much more. Whether it's suggesting tips to address your stress, or working side-by-side with you to implement these suggestions, we're here for you. Seeing families reach personal and financial fulfillment by implementing these types of ideas is what makes this job so satisfying.

Timely Tidbits:

- ✓ Easing taxes on an inherited 401(k): The Pension Protection Act, signed into law last month, now allows non-spouse beneficiaries to roll inherited 401(k)s directly into an IRA. Previously, only spouses could do this. By rolling the inherited 401(k) into an IRA, the beneficiary can take distributions over a period of years rather than having to withdraw the full amount immediately and pay income taxes all at once.
- ✓ Keep records of charitable gifts: Under current laws, you need a receipt to document any charitable gift of \$250 or more. As of August 17, 2006, you cannot write off gifts of clothing and household items unless those items are "in good condition or better". Also, you'll need an appraisal on items valued over \$500 to claim a deduction.
- ✓ Recent tax law changes now allow people over the age of 70 ½ to gift up to \$100,000 directly from an IRA to a charity in 2006 and 2007. By doing this, the distribution is not considered a charitable contribution, but it also *does not get included in your taxable income*. Also, the gift can count towards your *Required Minimum Distribution*.

Quote of the month: "The trick is to make sure you don't die waiting for prosperity to come."

Lee Iacocca, *US automobile businessman*

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