

# Money 2000

University of Wisconsin-Extension

Family Living Programs

*and Beyond*

## Resolve to get financial affairs in order

The tragic attacks on our country were a painful reminder of the dangers and uncertainty in the world. They forced many of us to reconsider our safety and what would happen to our families if disaster strikes.

**Do you have a will?** If you die without a will, your property will be divided according to the laws of the state. If you are single, your assets will probably go to your parents. If they are no longer alive, your estate will be divided equally among your siblings. Your sister struggling to raise five children by herself will inherit the same amount as your wealthy single brother.

If you and your spouse die at the same time, your assets will be divided equally among your next of kin, with no consideration to financial needs or your wishes. If you have children, the court will appoint their guardians. A will allows **you** to make those decisions.

**Do you have life insurance?** If you have children, a spouse or others who depend on your income, you need life insurance. If you are young and looking for the most protection for the money, you might consider a term life insurance policy.

- **Term life insurance** provides a specific amount of money to your heirs if you die during the term of the policy.
- **Permanent or whole life insurance** combines a death benefit with an investment account. This costs more, but does not expire as long as you pay the premiums.

**Have you checked your beneficiaries lately?** Besides life insurance policies, retirement accounts such as 401(k), 403(b), IRA and other accounts have beneficiaries. Too often, people forget to update the beneficiary designation on these accounts after a marriage, divorce, or other major life event.

**Are your records organized?** An unexpected death is devastating. Don't make it harder on your survivors by forcing them to track down your bank accounts, savings, investments, retirement accounts and other important financial information. Record the location of all your accounts and important financial information in a notebook, file or computer disk. Be sure to let your survivors know where to find important documents.

For suggestions on what to keep and where to keep it, contact your county UW-Extension office for the publications *Organizing Your Financial Records* B3709-1 and *Our Family Records* B2369.

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**The Wisconsin Basic Will form is available at office supply or stationery stores, or consult an attorney.**



**Focus on your goals and your time horizon, not the short-term ups and downs of the market.**

## Managing investments in uncertain times

The past several months have been a difficult time for investors. It is disheartening to look at quarterly statements and see the value of your accounts continue to decline.

In response to troubling times, many people fall victim to **two common investing mistakes**:

- **Chase what few positive returns there may be** — invest in whatever is posting the highest gains. This almost always ensures that you are buying at high prices — just the opposite of the goal to buy low and sell high.
- **Hide out in overly conservative investments** and miss the opportunity from greater returns.

The best way to resist either of these mistakes is to **determine your long-term investment strategy and stick to it**. Focus on your goals and your time horizon, not the short-term ups and downs of the market.

**Remember:** To protect money you need in the short-term — your emergency fund or for goals within 1 to 5 years where safety of principal is the main objective — **invest in cash investments** such as money market funds or certificates of deposits (CDs). Money in your retirement account or for other long-term goals should include investments such as stocks that have the potential for growth, even though they have greater short-term risk.

**Diversify your investments to reduce the risk.** Pick an **asset allocation** — a mix of stocks, bonds and cash — to suit your situation. For example, young investors with 20 years before retirement can afford to **invest more aggressively** — invest a higher percent of their retirement portfolio in stocks — than someone who is 5 to 10 years away from retiring.

For greater diversification, divide your stock investments into different types of stock funds. If most of your money is in large cap funds that performed well in the recent bull market, consider adding funds that invest in small and mid-size companies as well as international stocks.

If your portfolio or 401(k) plan is not well diversified, now might not be the best time to make major changes. Instead, consider allocating some new money into different fund categories until you reach your asset allocation and diversification goals.

To learn more about allocating and diversifying assets and selecting investments to meet your needs, enroll in “Investing for Your Future.” This 11-part investment course is sponsored by Cooperative Extension on the Internet at:

<http://www.investing.rutgers.edu>



# Why are credit card rates still so high?

**With all the rate cuts by the Federal Reserve this year, why is my credit card rate still so high?**

Some credit cards — about 30 percent — carry a **fixed rate**. The card issuer sets whatever interest rate it wants — 9, 12, 15, 20 percent — and that stays there regardless of whether interest rates go up or down. These fixed-rate cards may be a good thing when rates go up — but not when interest rates are falling.

The other 70 percent of credit cards have **variable rates**, typically tied to the **prime rate** — the rate banks charge their most credit-worthy customers. But just because you have a variable-rate

card does not mean you will enjoy the full effect of falling interest rates. Some card companies adjust their rates quarterly rather than monthly, so it takes a while for the new rates to kick in. Others set a floor or minimum below which their rates do not drop.

Call your credit card company, and find out which kind of card you own and how or whether the interest rate changes. Ask for a lower rate. If turned down, go to Web sites such as these to compare options:

<http://www.bankrate.com>

<http://www.credit-land.com>



## Beware of charity fraud

In an outpouring of donations since the tragic events of September 11, Americans continue to give to victims' relief and rebuilding programs in hopes of making a difference. But how can you be sure your donation is going to a legitimate nonprofit organization? And how do you determine which of the thousands of organizations to give to?

**Be informed.** Check out any organization that you hear about on the radio and television, or that contacts you via phone, mail or the Internet. For a listing of organizations that are part of a special coordinated federal, state and local fundraising effort, check the American Liberty Partnership at:

<http://www.libertyunites.org>

**Do not give cash.** Make checks payable to the name of the organization, not the individual asking for a donation.

**Be careful with credit cards.** Do not give your credit card number to solicitors who call you or to organizations that you are unfamiliar with.

**Do your homework.** Ask how much of your contribution goes to the charity's

administration and how much goes to program and victim services. You should expect that the majority of your donation goes to services. Request that the organization send written information, then respond after reading and investigating the literature they send.

**Purchase carefully.** Be wary of groups selling merchandise claiming that all profits will benefit victims. Some may be legitimate; while others may have no association with the organization they claim to represent and may be using a charity's name without their approval.

**Remember that the need for contributions will be ongoing.** In the months ahead, you will have many opportunities to provide support. Take time to choose the recipients of your charitable giving, to make sure your dollars reach helping hands.

For more information, contact:

Better Business Bureau

<http://www.give.org>

National Database of Nonprofit Organizations

<http://www.guidestar.org>

**How can you be sure your donation is going to a legitimate nonprofit organization?**



# New rules for credit card offers

You know it is important to read the fine print on credit card solicitations. Thanks to the Federal Reserve, you can now do that without a magnifying glass.

New rules are designed to help you compare credit terms and to protect against unfair credit card practices. The rule that took effect Oct. 1 will be hard to miss. The permanent annual percentage rate (APR) for purchases must be printed in 18 point type (see sample).

Credit card issuers must reveal not only the APR for purchases, but also the rates for cash advances and balance transfers. These disclosures must be included in the interest rate table common in credit card offers. The cash advance and balance transfer disclosures must be in at least 12 point type.

Most credit card issuers penalize cardholders who pay late by bumping up their interest rates — sometimes as high

as 29.99%. Now, card issuers must disclose penalty rates for late payments. This information may be outside the disclosure grid, but it must be conspicuous.

The new rules also apply to credit card offers made on the Internet. Applicants must be shown all the rate information and click on an “Accept” button before being allowed to submit an application online.

## The APR must be in 18 point type.

Cash advance and balance transfer disclosures must be in 12 point type.

*Money 2000 and Beyond:*

<http://www.uwex.edu/ces/money2000>

**Internet access is available** at many public libraries or other public places in your community.

# Be careful of skip payment offers

Some creditors — especially credit card companies — will occasionally allow customers to skip a monthly payment. This is especially common during the holiday season. While these offers might seem attractive, be aware of the cost of skipping payments.

Some creditors will assess an additional fee commonly called a **deferral fee** when customers decide to skip a payment.

But even if no deferral fee is charged, skipping a payment increases the cost of credit. That’s because interest continues to accrue on the unpaid balance during the time period the payment is skipped.

**Since there is no payment to reduce the balance, more interest will accrue.**

**Remember:** If a creditor allows you to skip a payment, that creditor cannot charge you a late fee for the payment skipped and cannot report that payment as delinquent to credit bureaus.

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