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## Newsletter

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**JULY 2013**

### **Give your children a good financial education**

Financial illiteracy appears to be rampant in the younger generation. The same kid who is adept at using a smartphone or iPad may have trouble with basic math skills, balancing a checkbook, or managing money.

Knowing about money – how to earn it, use it, invest it, and share it – is a critical life skill. Unfortunately, such skills are often given short shrift in our education system and homes. Recent surveys have highlighted an astonishing level of ignorance in today's teenagers when questions about simple financial concepts are raised. For example, one survey found that only 26% of teens understood credit card interest, and only one in three could read a bank statement or balance a checkbook.

If you haven't already started teaching your children about money and finances, you're neglecting an important part of their education. 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 should get their attention.

- **Transactional skills.** In today's cashless society, your children will someday need to know how to write a check, how to use a debit or credit card, and how to bank online. When they are ready, consider taking 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 use an ATM or bank website correctly.

- **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 your child begins driving, point out the location and importance of the vehicle proof of insurance and registration.

- **Investment concepts.** Introduce your child to investment basics by having him or her acquire shares of one or more stocks or mutual funds. Your child can learn a lot by charting the investment's

progress on a regular basis.

- **Borrowing money.** Even if you act as the lender, your child can learn valuable lessons by borrowing a small amount of money. Again, an online calculator will indicate how compounded interest piles up. Your child will likely be encouraged to avoid debt.

- **Taxes.** It's not what you earn, but what you keep that matters. Show how taxes can erode earnings and why they must be factored into financial decisions.

- **Set a good example.** The way you handle your money may be the most powerful lesson of all for your children. For your child's sake, as well as your own financial well-being, it's important to practice what you preach.

## **Recordkeeping: How to get all that paper under control**

It's spring cleaning time, and that includes your tax paperwork. While it can get a bit confusing, there are some general guidelines that you can follow.

- **Income tax returns.** These should be kept indefinitely. You would be amazed how many times the IRS will "lose" a tax return, and this is your only way to prove original filing. You should also keep the various back-up documents associated with the return, such as W-2 forms, mortgage interest statements, year-end brokerage statements, interest/dividend income statements, etc. This may seem like overkill, but you never know when you might need these documents for other purposes.

- **Supporting documents.** These are things like cancelled checks, receipts, expense and travel diaries. With respect to retaining these items: three years minimum, five years is better, and seven years is best. How long you keep these records depends on your storage area and audit potential.

- **Stock/bond/mutual fund purchase confirmations.** These are documents that you need to retain during the time that you own the stock or mutual fund. They can be destroyed 3/5/7 years after the date of the sale of these assets. While many brokers are now reporting your fund purchase price, many records are still unavailable to them, so they cannot report your cost basis. It's ultimately up to you to prove your cost of these purchases.

- **Real property escrow/title statements.** These are the documents that you receive when you purchase property. They are provided to you at your property closing by your title agent, escrow agent, or attorney. These are also documents that you need to retain during the time that you own the property in order to prove your purchase price at the time that you sell the property. The ultimate purging of these documents also follows the 3/5/7 year provisions after the date of the sale.

And when you do finally decide to get rid of those old documents, do so carefully. Many documents will carry your social security number, bank/brokerage account number, and other bits of information that could lead to theft of your identity. So make sure that any documents that you get rid of are properly shredded or otherwise completely destroyed

## **Budget issues force IRS closures**

The IRS will close all of its operations on June 14, July 5, July 22, and August 30, 2013. The current budget situation, including the sequester, has made these closures necessary. IRS employees will be furloughed without pay on these days. Taxpayers should continue to file returns and pay any taxes due as usual, though on these days the IRS will not answer toll-free hotlines or accept or acknowledge receipt of electronically filed returns. Electronic deposits of employment and excise taxes must be made as usual.

## **Tax filing reminder:**

July 31 is the deadline for filing 2012 retirement or employee benefit returns (5500 series) for plans on a calendar year.