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Welcome! The holidays are in full swing – with 2013 just around the corner. See if you can find a little time in the midst of the glitter and twinkle to wrap up your 2012 finances so you're in tip top shape when the ball drops on January 1.

We at Compass Planning wish you the very best of the holidays and a fruitful and successful 2013! Remember we're here to help you stay *On Course!*

-Jennifer Lane, CFP

Money Tips for the New Year

As you move from 2012 to 2013, take some time to look at your credit card debt and investments as well as do some financial housekeeping.

Reduce Credit Card Debt

If one of your goals is to reduce your credit card debt (and it should be!), then try using what we call debt snow flaking.

- Use Google to search "debt snow flaking" or "debt snowball" to learn about this recommended way to pay off credit card and loan debt.
- With debt snow flaking, you will pay off your smallest balance first while paying the minimum balance on all your other cards.
- Look carefully at your expenses to find extra money to use against the credit card you are paying off so you pay more than the minimum payment. Even as little as \$25 will make a difference. Make as many snowflakes as you can!
- [Vertex42](#) offers a free calculator that you can download and use on your own computer for added privacy.
- Once you have paid off your first card, you'll take that credit card's minimum (and whatever extra you can afford) and add it to the minimum amount you have been paying on the next lowest balance.
- The cumulative effect on your payments snowballs as you reduce your debt!

NOTE: NECN just ran a great segment on snow flaking. [Click here to watch!](#)

Investment Funds Review

You are responsible for managing your money.

- Focus not so much on performance but more on cost and asset allocation.
- Use [Morningstar.com](#) to see what expenses your current funds carry. They should be less than one percent annually. Otherwise, you risk losing earnings to expenses.
- Next check [BankRate.com](#) for a nifty asset allocation calculator. You don't have to follow it exactly, but you'll get an introduction to what an asset allocation should look like. Your 401(k) provider may have an asset allocation calculator as well.
- Next step is to make an appointment with a financial planner for help customizing the asset allocation for your financial goals.

Good Housekeeping

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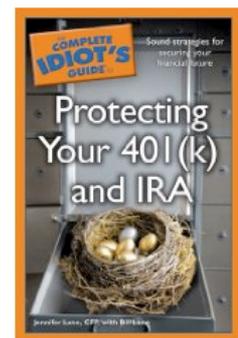
[Monthly Tip](#)



Jennifer's Hint

Keeping IRA accounts that have pre-tax contributions -- contributions that you took a deduction for on your tax return -- separate from IRAs with after-tax contributions will help keep track of how much of the withdrawal you'll owe tax on. Don't forget to also file form 8606 in each tax year that you make non-deductible contributions.

Get more tips in Jennifer's book



(click here for link)

Helpful Websites

[BankRate.com](#)

[FINRA.org](#)

It's important for your finances, too!

- Life insurance for those with children should be equal to at least 6 to 8 times annual living expenses for each parent, e.g., if the expenses are \$100,000, each parent should have \$600,000 to \$800,000 in insurance. Pay special attention if one is at home because you may not have sufficient work coverage.
- Make sure your will, healthcare proxy, and power of attorney are up-to-date and reflect your current wishes. You'd be surprised how much things change over even a short amount of time. Nolo.com is a great educational resource, but you *still* need a lawyer to help you with these documents.
- Are you worried about college costs? Budget to put money into your retirement account first. The college funds come after that. You want to avoid having your well educated children have to take care of you.

Mass Bar Association

Morningstar

NAPFA.org

Nolo.com

Vertex42



Q&A

Q: I'm retiring soon and need to roll over my 401(k). How do I pick an investment advisor?

-- Jane, Hanover

A: Jane, congratulations on your retirement! You need to be careful when you're rolling over a 401(k) from an employer as it's probably a substantial amount of money that would be attractive to someone who sells on commission. So, do your research. Check out NAPFA.org, the National Association of Personal Financial Advisors, where you can get information on fee-only financial planners who will charge an hourly or project fee to help you. Also, you can use [FINRA BrokerCheck®](http://FINRABrokerCheck.com) to check the background of your stockbroker or investment advisor. Last, always have a thorough conversation with your advisor about his or her experience and method of compensation.

What's New

- **Jennifer's Compass.** Jennifer recently answered questions on NECN about the fiscal cliff. Click [here](#) to watch the segment on her blog.
- **We now have a Facebook page.** Visit www.facebook.com/AskJennifer and like us!
- **Jennifer appears on NECN every other Monday morning at 9:30 am in addition to her Tuesday 6:30 pm appearance.**

[Compass Planning Associates](#) helps families, individuals, and small-business clients achieve financial security, knowledge, and control over their money. Our **fee-only, client-centered approach** provides education and guidance for achieving financial goals and dreams.

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