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Strategic Planning

The Fee Based Financial, Investment, & Tax Report

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Shielding Your Finances from Disaster

Recent catastrophic events, ranging from natural disasters to terrorist attacks, have clearly demonstrated that the homes and livelihoods in which Americans have invested over many years can be wiped out in a matter of hours. Once displaced, many victims of disasters struggle to get back on their feet financially. While there is little you can do to prevent a disaster from striking, there are steps you can take to protect yourself and your family from financial ruin should you be forced to evacuate your home in an emergency.

Here are some strategies you can use to prepare financially for potential disasters:

Store important documents in an "evacuation box." Collect and make copies of all your key financial and personal documents, including passports and birth certificates, marriage licenses, wills, property deeds, insurance policies, mortgage records, car titles, and stock and bond certificates. Make copies of the front and back of all credit cards and driver licenses. Then make a list of all your account and credit card numbers, as well as a written and photographic inventory of all your valuables. You should also prepare an envelope with enough cash or travelers checks to last your family about three days.

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Plan Carefully When Choosing Your Executor

One of the more important decisions you must make when writing your **will** is the selection of an **executor**. Ideally, an executor should combine the tact of a diplomat with the administrative skills of a professional executive. The person should also be close enough to you and your family to do as you would wish, yet be able to act without being swayed by emotions if conflict breaks out among family members.

Almost any person you trust can be your executor. For most people, the best choice is a spouse, close friend, or associate, who may also be a **beneficiary**. Large estates may require two executors—a personal representative to interpret your wishes and a professional representative or institution, such as your attorney or a bank, to make business or financial management decisions, pay taxes, and keep records.

Duties of an Executor

What exactly does an executor do? An executor's job is to "wrap up" your financial affairs. The individual must

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Plan Carefully When Choosing Your Executor

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identify and determine the value of the assets that are part of your estate. (**Trusts**, **life insurance policies**, **pension plans**, and some types of **jointly owned property** may fall outside the executor's authority.) Certain assets necessitate hiring an **appraiser**, whose fee generally comes out of your estate's assets, as do expenses for lawyers, accountants, and other professionals. An executor is also responsible for paying all your remaining debts, filing tax returns, and distributing whatever remains to your heirs.

Throughout this process, careful records must be kept. Most **probate courts** will demand a full and detailed accounting of all money received, spent, or held by your estate.

If You Die Intestate. . .

If you die *without* a will (**intestate**), the court will appoint an administrator to perform the executor's duties. When no relative or beneficiary is able to take the job, the appointee is likely to be a civil servant or even a creditor.

Administrators and executors usually receive fees of 3% to 5% of an estate. However, when family members serve, they typically waive the fee. Administrators must post a **bond** to safeguard the financial interests of your heirs, although in some cases the heirs may consent to waive the bond. The cost of the bond premium also comes out of the assets that would otherwise go to your heirs.

Making the Right Choice

When choosing an executor, objectivity is essential in order to make the proper decision. Be sure whomever you select is willing to accept the responsibility. In addition, it is also wise to choose an *alternate* executor to serve in the event your initial executor is unable to do so. If you have not yet selected your executor, consider choosing one *now* to eliminate any potential complications in the event of an untimely death. $

Tax Deductions for Work-Related Moves

Given the differing and expanding job opportunities located in various parts of the country, few people now spend their lives living in a single location. If you've moved, or are planning to move, because of a change in your job or its location, did you know that you may be able to deduct your moving expenses on your tax return? In order to qualify, your move must be closely related to the start of work, and it must meet both the distance and time tests.

The Distance Test

In order to satisfy the distance requirement, your new job location must be at least 50 miles farther from your former home than the location of your old job. For example, if you traveled 5 miles from your former home to get to your previous job, your new place of employment must be at least 55 miles from your previous home in order for you to qualify. If your new job is located 50 miles from your former residence but your previous work location was 10 miles from your former residence, you would not meet the distance requirement.

It is important to note that the distance test only considers the location of your former home and your work locations; it does not take into account the location of your new home. Your principal job location is defined as the place where you do most of your work and spend most of your time on the job. A new principal job location is a new place where you will work on a permanent, not temporary, basis. Also, the distance between your former home and a job location must be the shortest of the most commonly traveled routes between them.

The Time Test

If you are an employee, you must work full time for at least 39 weeks during the first year after your move in order to qualify for the deduction. The definition of full-time employment may vary according

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All essential documents should be stored in a bank safe-deposit box located some distance from your home or in an airtight, waterproof, and fireproof safe or container that can be easily taken with you in an emergency evacuation. Inform family members or trusted friends of the location of the box in case you are not able to retrieve it yourself.

Make sure you have access to cash. Avoid tying up all of your assets in real estate or investments that cannot be tapped without incurring significant penalties. Maintaining funds equal to three to six months' income in a savings or money market account should be among your top financial planning priorities. You may also want to have on hand several credit cards with high available balances or arrange in advance a line of credit that could be used in an emergency. If you have a 401(k) account with your employer, find out whether your plan allows you to take a loan out against your savings. Consider making contributions to a Roth IRA, which carries fewer penalties for early withdrawal than most other tax-advantaged retirement accounts.

Protect your property. If you live in an area that is frequently hit by natural disasters, consider what you can do to mitigate potential damage to your property. Depending upon the type of disaster likely to strike, you may want to take steps such as anchoring the foundation and roof, installing hurricane shutters on windows and glass doors, adding fire-resistant siding, securing objects that could fall in case of an earthquake, moving electrical panels and furnaces to upper levels, installing smoke detectors, and clearing brush from around the house. If you are uncertain about what improvements might be most effective, ask a building inspector to recommend structural or other types of changes. By taking measures to protect your home, you may also be able to negotiate a reduction in your homeowners insurance premiums.

Purchase necessary insurance coverage and review your policies regularly. Many people who have lost their homes to disasters find their insurance policies do not cover the cost of rebuilding. If you have homeowners insurance, review your policy annually to ensure it reflects the actual replacement cost of your home and its contents. This is especially important if your home has risen significantly in value or if you have made improvements to the property. Be aware that your policy may not cover damage due to specific causes, such as flooding. If the insurance you need is not available through private companies because you live in a disaster-prone area, find out whether state or federal insurance pools would provide coverage.

In addition to homeowners insurance, you should consider disability income insurance coverage to protect yourself and your family in case you are injured in a disaster and unable to work for a period of time. If you receive health benefits through your employer but lose your job, you can keep your coverage in force under a federal law known as COBRA. You should also make sure that your life insurance coverage is sufficient to meet the needs of your family. Keep in mind that it may be possible to withdraw some or all of the cash value from a whole or universal life insurance policy, if necessary.

Your individual circumstances will ultimately determine what steps you should take to protect yourself and your family from a possible disaster. You may also want to consult with an attorney about whether your family would benefit from additional legal protections, such as trusts, powers of attorney, or living wills. Remember, disasters strike with little or no warning—the time to prepare is now. $

Tax Deductions for Work-Related Moves

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to your occupation. Seasonal workers are considered to be working full-time in the off-season if the off-season period is less than 6 months. For example, if you are a teacher on a 12-month work contract, you must teach for 6 months to be considered a full-time employee for the entire 12 months. It is important to note that you do not have to work for the same employer for all 39 weeks, nor do you have to work the weeks consecutively. You are also considered working during a week that you are temporarily absent from work due to illness, natural disaster, strikes, or a leave provided in your work contract or agreement. If you are self-employed, you must work full time for at least 39 weeks during the first year and at least 78 weeks during the first two years after your move.

The time test does not apply if your job ends because of disability, you are transferred for your employer's benefit, or your employment is terminated for reason other than willful misconduct. Neither the time nor the distance tests apply if you are a member of the armed forces and your move is due to a permanent change of station. Different rules may also apply if you are a retiree or survivor moving into the United States from a foreign country or if you are moving to a foreign country for work reasons.

What's Deductible?

If you meet the requirements, you can deduct the reasonable expenses of moving your household goods and personal effects from your old home to your new home. These include the cost of packing, crating, and transporting your property. You can also deduct the cost of storing and insuring your possessions for any period of 30 consecutive days after goods are taken from your old home and before they are delivered to your new home. It is important to note that you cannot deduct the costs of moving furniture or appliances you buy on the way to your new home.

The expense of traveling to your new home is also deductible. This includes transportation and lodging expenses incurred while traveling from your old home to your new home and on the day you arrive at your new home. You can deduct traveling expenses for only one trip to your new home for yourself and members of your household; however, you do not have to travel at the same time.

If you use your own car for your move, you can determine the total amount of your deductible travel expenses in one of two ways: 1) You can deduct your actual expenses, such as gas and oil for your car, if you keep an accurate record, a receipt, of each expense; or 2) You can use the standard mile rate, set at 20 cents per mile in 2007 (18 cents in 2006). Under either method, you may add all parking fees and tolls to the amount of the deduction. You cannot deduct any part of maintenance, repairs, or depreciation for your vehicle as a part of moving expenses.

If you are reimbursed by your employer for any of the above expenses, you must reduce your deduction by the amount of the reimbursement. If you decide to stop over or make side trips for sightseeing during your move, the costs of these additional expenses are not deductible. The costs of meals also do not qualify.

In today's mobile society, you may at some point decide to move to a new city in order to take advantage of a better job opportunity. Be sure to consult your tax professional at that time to determine what expenses, if any, may be deducted from your taxes as a result of your job-related move. $

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