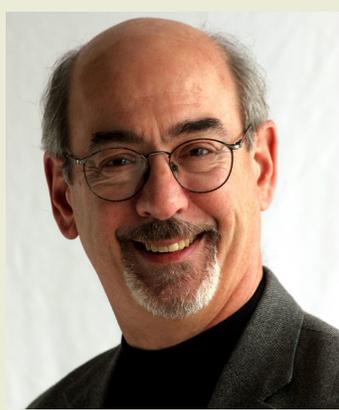


# THE PERSONAL PLANNER

Personal Financial Planning Tips for Today and the Rest of Your Life



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Winter came early in nature this year but the domestic equity markets seem to have continued the recovery they began in October. They seem to be fighting headwinds, however, with smaller companies and foreign stocks turning in more mixed performances while high-yield and foreign bonds continue to struggle. The net effect on a diversified portfolio is only mildly positive returns for November (at least as of this writing).

Please join me in considering the needs of others as we approach this holiday season. Having recently focused on giving thanks for our respective blessings, I would encourage all to look carefully at what you can do this holiday season to improve the world through charitable giving or volunteering. And while you're at it, may you find all the joys of the holiday season in your own lives.

Bruce R Heling, CFP CPA  
November 24, 2014

## December 2014

Four Questions to Ask Before You Open Your Wallet

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 **HELING ASSOCIATES**  
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## Four Questions to Ask Before You Open Your Wallet



Even if you have the best of intentions, it's easy to overspend. According to a Gallup poll conducted June 9-15, 2014,\* 58% of people who had shopped during the previous four weeks said they spent more at the store than

they originally intended to. Even if you're generally comfortable with how much you spend, you may occasionally suffer from a case of buyer's remorse or have trouble postponing a purchase in favor of saving for a short- or long-term goal. Here are a few key questions to consider that might help you fine-tune your spending.

### How will spending money now affect me later?

When you're deciding whether to buy something, you usually focus on the features and benefits of what you're getting, but do you think about what you're potentially forgoing? When you factor this into your decision, what you're weighing is known as the opportunity cost. For example, let's say you're trying to decide whether to buy a new car. If you buy the car, will you have to give up this year's family vacation to Disney World? Considering the opportunity cost may help you evaluate both the direct and indirect costs of a purchase.

Some other questions to ask:

- How will you feel about your purchase later? Tomorrow? Next month? Next year?
- Will this purchase cause stress or strife at home? Couples often fight about money because they have conflicting money values. Will your spouse or partner object to your purchasing decision?
- Are you setting a good financial example? Children learn from what they observe. What messages are you sending through your spending habits?

### Why do I want it?

Maybe you've worked hard and think you deserve to buy something you've always wanted. But are you certain that you're not

being unduly influenced by other factors such as stress or boredom?

Take a moment to think about what's important to you. Comfort? Security? Safety? Status? Quality? Thriftiness? Does your purchase align with your values, or are you unconsciously allowing other people (advertisers, friends, family, neighbors, for example) to influence your spending?

### Do I really need it today?

Buying something can be instantly and tangibly gratifying. After all, which sounds more exciting: spending \$1,500 on the ultra-light laptop you've had your eye on or putting that money into a retirement account? Consistently prioritizing an immediate reward over a longer-term goal is one of the biggest obstacles to saving and investing for the future. The smaller purchases you make today could be getting in the way of accumulating what you'll need 10, 20, or 30 years down the road.

Be especially wary if you're buying something now because "it's such a good deal." Take time to find out whether that's really true. Shop around to see that you're getting the best price, and weigh alternatives--you may discover a lower-cost product that will meet your needs just as well. If you think before you spend money, you may be less likely to make impulse purchases, and more certain that you're making appropriate financial choices.

### Can I really afford it?

Whether you can afford something depends on both your income and your expenses. You should know how these two things measure up before making a purchase. Are you consistently charging purchases to your credit card and carrying that debt from month to month? If so, this may be a warning sign that you're overspending. Reexamining your budget and financial priorities may help you get your spending back on track.

\*Source: *American Consumers Careful With Spending in Summer 2014*, [www.gallup.com](http://www.gallup.com).

## Helping Your Parents Manage Their Finances



*Postponing a discussion about helping a parent with his or her finances increases the odds that problems could arise before that discussion takes place.*

As the U.S. population gets older, more people, particularly baby boomers, are confronting a dilemma. As parents age, their ability to manage their own finances may decline. That can make it more likely that they may neglect the life savings they've worked so hard to accumulate or make costly mistakes with them. Even worse, they're more likely to fall victim to one of the fraudulent schemes that frequently target seniors. "Financial Fraud and Fraud Susceptibility in the United States," a September 2013 report prepared for the FINRA Investor Education Foundation, found that seniors were 34% more likely to lose money to fraudsters than were those in their 40s.

And yet many seniors, especially those who have always been independent and/or money-savvy, may be reluctant to accept advice or help from their children, or even discuss living expenses, health care plans, investments, or general estate planning. Sadly, postponing that discussion can increase the difficulty of tackling whatever problems may eventually arise.

### What's behind parental reluctance?

Suggesting that parents might benefit from assistance, either from their children or a professional, may remind them of their own mortality. People are living longer; if they're still active and involved, they may have difficulty accepting that their current good health and financial comfort may not always continue.

Also, some seniors may be reluctant to discuss finances because it can reinforce a sense of loss; this could be especially true if they can no longer drive or participate in activities they enjoy. Admitting that they need help with financial issues may make them feel as though one more area is no longer under their control. If this is the case, they might respond to the idea that addressing important issues now--planning for ill health or an incapacity--could give them greater decision-making power over their quality of life later.

Parents also may be uncomfortable discussing finances with only one child, preferring to involve all siblings. In this case, you may need to either try to reach a consensus about which child is best equipped to help, or divide responsibilities among siblings. For example, one child might assist with billpaying and day-to-day expenses while another reviews investments or handles health insurance, Medicare, and Social Security.

In some cases, parents may respond to the idea that taking action sooner rather than later can help prevent the loss of much of their

hard-earned savings to taxes or scams. If they're uncomfortable discussing finances with you, you could suggest working with a third party who can review their situation and make recommendations that could then be discussed jointly.

### When to offer help

Here are some signs that a parent might need some assistance: confusion about whether direct-mail offers are advertising or bills; failing to pay bills or file documents properly, especially if someone has always been highly organized; complaints about being unable to make ends meet; talking about the merits of certain investments, especially unfamiliar ones and especially if a parent hadn't previously exhibited much interest in investing; unusual behavior, such as making unexpected large purchases or spending a lot of time gambling.

Be sure to rule out other physical problems, such as an infection or difficulties with vision or hearing, before assuming that mental confusion is automatically a sign of dementia.

### A start is better than nothing

If parents are reluctant to discuss specific figures, try to make sure that key information, including online account information and passwords, is on paper, and that someone else knows the location of those items and will be able to access them if necessary.

You might start providing assistance in stages. Offer to review checking account statements and/or credit card bills to ensure they're not paying for services they want to cancel or didn't request; this may give you insight into the overall state of their finances. Because seniors may be more willing to discuss issues such as health insurance and preferences regarding long-term care or end-of-life decisions before other topics, building trust in these areas could increase comfort levels on both sides with other matters.

If a trust has been set up, a trustee might be the logical person to handle finances, since he or she may eventually have to deal with trust-related issues anyway. The same is true for someone who has been granted a durable power of attorney, even if he or she doesn't yet have full responsibility for managing finances. And in a worst-case scenario, children can petition a probate court to name a conservator or guardian. Whatever approach you take, one of the key challenges of this process is to respect a parent's dignity while protecting his or her ongoing well-being.

## Tips for Stress-Free Travel This Holiday Season



Last year, over 94 million Americans were expected to travel during the year end holiday season (Source: American Automobile Association, 2013/2014 Year-End-Holidays Travel Forecast, December 2013).

It's that time of year again--the dreaded holiday travel season. And while overcrowded airports, train stations, and roads, combined with the possibility of inclement weather, can be a recipe for disaster, there are some steps you can take to make traveling this holiday season a bit easier.

### Pre-trip planning

- *Travel "off-peak."* There will always be certain days and/or times that are busier than others during the holiday season. As a result, you may want to avoid peak travel times, such as the day before Thanksgiving. By adjusting your holiday travel schedule by just one day or even a few hours, you might face fewer crowds and decrease your travel time.
- *Consider an alternate route.* If you are traveling by car, consider taking a longer, less-traveled scenic route to circumvent areas where traffic is usually heaviest. If you are flying, avoid travel hubs with the most air traffic. Instead, try searching nearby, smaller airports to see whether they offer flights to your destination. Smaller airports may offer cheaper flights and often have fewer delays and less traffic to and from the airport. You can also try researching whether your airline or flight is usually on time or late by checking its on-time performance.
- *Check in or print out boarding passes/tickets beforehand.* Today, many airlines and train companies have streamlined the boarding/ticketing process. If you're flying, you may be able to select your seats and complete the check-in process at home. If you're traveling by train, consider purchasing your tickets online and printing your ticket vouchers before arriving at the station.

### On the day of travel

- *Travel lightly.* Most airlines and trains have restrictions on the number of carry-on or check-in luggage passengers can bring. As a result, only bring necessities and try to avoid overpacking for your trip. In addition, consider ordering any holiday gifts online and mailing them ahead of time instead of bringing them with you.
- *Leave early.* Whether you are heading to the airport or train station or making the trip by car, avoid the long lines and traffic by leaving as early as possible on your scheduled day of travel. If you're worried about waiting around the airport or train station for too long, bring your laptop or extra reading material to keep yourself occupied.

- *Have a plan B.* Whether it's changing your travel route to avoid traffic congestion or dealing with a flight delay and missed connection, you'll want to be prepared to make adjustments to your travel plan. Having an alternative plan in place can make it easier to deal with any travel glitches that may arise when you travel.
- *Keep essential items on hand.* Keep copies of your travel itinerary, necessary photo identification (e.g., driver's license, passport), and medications on your person in case your luggage is lost or delayed while en route to your destination. You'll also want to make sure that you have plenty of snacks and beverages to help tide you over if you are stuck in traffic or your train or flight is delayed. Make sure that your electronic devices (e.g., laptop, phone, e-reader) are fully charged and bring chargers so you can plug in, if necessary, at the airport or train station. And if you are traveling with kids, be sure to bring along plenty of toys/games to keep them occupied.
- *Stay connected.* Whether it's real-time traffic updates or information on flight or train departures and arrivals, there are numerous mobile apps that can help make travel more efficient. Traveling by air? Check with your airline to see if you can sign up for flight status updates that go directly to your phone. If you're heading on a road trip, check with each state's highway authority to see which ones provide mobile traffic updates.
- *Be prepared for the worst.* It's important to remember that even the most well-thought out travel plans may not proceed without a hitch. A nasty nor'easter, air-traffic controller strike, or even just bad luck could disrupt your travel plans. The key is to stay calm and be prepared for the inevitable travel mishap. In the end, you will eventually reach your destination and celebrate the holiday season with family and friends.

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## How can I save on my heating bills this winter?

According to the U.S. Department of Energy, home heating costs account for about 45% of the average American family's energy bills (Source: U.S. Department of Energy, December 2013). And with winter fast approaching, now's the time to prepare for the annual battle between the thermostat and your wallet.

Fortunately, there are some relatively simple steps you can take to help make your home more energy efficient and help you save on your heating bills this winter:

- **Keep the heat in.** To keep heat from escaping your home, apply weather stripping and caulking around drafty areas such as doors and windows, and inspect storm doors and windows for broken glass. Make sure that all areas of your home are properly insulated, especially attics, basements, crawl spaces, and outside walls.
- **Adjust your thermostat.** Turning down your thermostat even just a few degrees when you go to bed or when you are not home can help you save on your heating bills. To make it easier, install a programmable thermostat that will allow you to preprogram your heat to a lower temperature at certain times of the day.
- **Utilize window treatments.** Keep window curtains, shades, and blinds open during the day to allow sunlight in to warm your home, and keep them closed at night to retain the heat inside your home.
- **Close the damper.** To prevent heat from escaping through a fireplace, keep the damper closed when it's not in use. You can also avoid further heat loss by refraining from using the fireplace on extremely cold nights.
- **Have your heating system serviced.** Make sure that your heating system is working properly by having it serviced on an annual basis. In addition, clean furnace filters, warm air registers, baseboard heaters, and radiators to ensure maximum heating efficiency.
- **Consider an energy audit.** An energy audit can offer tips on how to heat your home more efficiently and save money on your energy bills. Contact your utility company to find out whether it offers free or discounted energy audits, or visit [energy.gov](http://energy.gov) for more information.



## I'm having trouble paying my student loans. Do I have any options?

If you or someone you know is having difficulty paying back student loans, consider investigating the government's three income-driven repayment plans. These plans--available for federal student loans, not private loans--are designed to make student loan debt more manageable by reducing your monthly payment.

The first and newest program is called Pay As You Earn (PAYE). Under PAYE, borrowers pay 10% of their discretionary income toward their federal student loans each month, and all remaining debt is generally forgiven after 20 years of timely payments. Your monthly loan payment is based on your income, family size, and state of residence. It is readjusted each year based on these criteria.

The second plan is called Income-Based Repayment (IBR), which is similar to Pay As You Earn. Under IBR, borrowers pay 15% of their discretionary income toward their loans each month, and all remaining debt is generally forgiven after 25 years of payments. (For new borrowers who take out loans after July 1, 2014, the IBR terms are the same as PAYE.)

Both PAYE and IBR have an eligibility requirement before you can enter the plan. The payment that you would be required to make under PAYE or IBR (a technical calculation based on your income and family size) must be less than what you would pay under the government's standard repayment plan, which is a fixed amount over a 10-year term.

The third plan is called Income-Contingent Repayment (ICR). The ICR plan does not have an initial eligibility requirement, so any borrower with eligible loans can make payments under this plan. Under ICR, your payment is equal to the lesser of 20% of your discretionary income or what you would pay under a repayment plan with a fixed payment over a 12-year repayment term. The repayment period is 25 years.

Under all three plans, loans are forgiven after 10 years for those in certain public-service jobs.

The U.S. Department of Education offers a Repayment Estimator calculator on its website [www.studentaid.ed.gov](http://www.studentaid.ed.gov) that you can use to see whether you qualify for certain plans, and to compare monthly payments and total lifetime costs under different plans.