

TAKING THE PLUNGE: AFFORDING YOUR BIG SUMMER DREAMS

As the thermometer creeps up after a tough winter, thoughts turn to summer fun and the splurges you've always dreamed of taking – a pool, a boat or possibly the vacation home of your dreams. This may not be the year to buy, but it's certainly a great time to start planning. It makes sense to consult a financial planner before you make a move.

Buying a vacation home: Many of us have taken a vacation and found an idyllic spot where we'd love to retire, spend the weekend or telecommute. Some people have actually bought property spontaneously *while* on vacation – and while that's not always a horrible idea, it is better to have a strategy:

- *Know where the money's coming from.* There are plenty of people who finance second homes out of the equity from their first home, but given today's slow real estate market, it's a risky option. Before you even start looking for a property, think about what a second home purchase will do to your overall financial picture. Many lenders require buyers to put down at least 20 percent on a second home. Keep in mind that your primary home lender may not want to tackle a vacation home mortgage. While you're planning, clean up your credit first, shop your lending options and get pre-approved.
- *Understand what you're buying.* Even if you haven't pinpointed a specific home or condo, you need to understand all the cost and environmental issues of owning property in that community. You need to know appreciation rates on similar properties and if there are plenty of sale signs nearby (do people want out?). You need to know about all the potential environmental risks to your property from hurricanes to earthquakes to mold.
- *Planning for upkeep, insurance, taxes:* An unattended structure is subject to crime as well as wear and tear that can accelerate when owners aren't present daily. Talk to your insurance agent about insuring out-of-town property. Also, while there are often qualified paid caretakers in vacation communities to help protect and maintain your property, they can be expensive and you need to make sure they're bonded. Think of anything terrible that can happen to a property and then plan solutions – before you buy. And don't forget the cost of property taxes.
- *Are you going to rent or occupy?* Renting out a vacation home is a good way to cover some of the cost, but lenders often factor in a 25 percent vacancy rate when determining your qualification for the loan. Plus, you have to play landlord with people you may never meet, and that can be risky. Rental property is a business, so treat it as such.

Buying a boat: Whether you grew up on the water or have simply found the notion of owning a boat romantic, boating requires careful study and a plan. For starters:

- *Know the kind of boating you want to do.* You need a different boat if you live by the ocean than someone who lives by a man-made lake. Boat choices are not only dependent on cash, but how and where the boat will be used and your personal skill in piloting and maintaining the craft.

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- *Discuss insurance first.* Motorcycle and boat owners know their fun isn't cheap. Most boat insurance covers physical damage to the hull, sails, machinery, furniture, and installed equipment as well as perils including vandalism, malicious mischief, injury to boat repair people and even damage that results from workmanship defects. Additional coverage is available for damage caused by uninsured boaters or coverage for your personal property or fishing equipment. A small boat may be covered under your homeowner's policy, so check.
- *New or used:* Like cars, many people consider used boats because they're cheaper and the best models hold their value. Boat financing is generally easier to find for new models, but check the recall record on the model you're buying and talk to lenders about financing before you buy.

Buying a Pool: On a 90-degree day, pools are great. But they can be expensive in terms of time and money:

- *Above-ground pools are cheaper:* If you're handy, you can install an above-ground pool for less than \$2,000. In-ground pools typically are installed professionally from materials ranging from pre-formed stainless steel to concrete and start around \$5,000. That doesn't include additional expenses for cleaning, security and pool chemicals.
- *See if a pool adds value:* Not every addition adds value to a home. Check with local real estate agents to see if a pool will actually attract buyers in your area.

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GETTING YOUR KIDS READY FOR THEIR FIRST SUMMER JOB

A teenager's first summer job is not only their first exposure to work. It's their first exposure to handling money they've actually earned.

Increasingly, teenagers work. The Bureau of Labor Statistics reported in July 2005 that more than half of 16-19-year-olds were employed during that month – the top month for summer employment.

A teen's first job is a chance for a parent to educate them on a variety of life lessons. Yet a teen's first job shouldn't be a parent's first opportunity to educate their child on managing money they've earned. Here are key steps in getting your child ready for the working world:

Put your child to work at home: Some believe that kids should never be given an allowance; they should receive money in exchange only for chores. That's obviously a family decision, but there are plenty of kids who do work around the house in exchange for money or special privileges. It's a good way to get kids thinking about the value of a dollar as long as parents don't exceed their pay limits whenever a child has a special want or need. After all, real jobs don't offer extra cash when a teen overspends; parents should work to avoid it as well.

Talk to your kids about jobs they'd like to try: This is obviously a discussion about skills and likes and dislikes, but it's also an opportunity to discuss how work is valued in a monetary sense. If your child wants to work part-time in a fast-food joint, that's fine, but if they have special skills on the computer or if they're good at teaching particular subjects, it might be worthwhile to help a child research what their special skills might earn them in the marketplace. Parents can also do some research themselves about teen work, work rules and safety by visiting the U.S. Occupational Safety & Health Administration's Teen Workers Web site: www.osha.gov/SLTC/teenworkers/teenworkers.html.

Teach your kids to look for work like an adult: Get your kids to start looking for work months ahead of when they'll need the job. Get them to read the want ads, have them check salary averages for the jobs they're thinking about on the Internet. Have them check out prospective employers as well – the Internet will allow them not only to learn about the company, but possible problems the company has as well. There's really no reason to wait – anything you've ever done to check out a future employer, teach those skills to your teen. Also, encourage them to talk to family members, teachers and community leaders you trust about job possibilities nearby – it's never too early to learn how to network.

Don't discourage self-employment: Many kids start their working life babysitting or mowing lawns. As mentioned above, if a child demonstrates a facility with a certain skill or activity that might turn into a career, give them all the encouragement they need to develop it into a summer job and if applicable, an educational goal. That skill they develop at 14 or 15 might be a gateway to a college scholarship at 18. Also, don't fail to mention the benefit of working summer internships in their chosen interests when they get to college.

Encourage your kids to save or invest part of their paycheck: A child may be working for a number of reasons – spending money, help financing college, paying for a car and maintenance are a few. But encourage your teen to reserve part of his after-school earnings for specific goals and help them open checking accounts and appropriate savings vehicles to get them in the lifetime habit of saving part of a paycheck each week.

Take your kids to work: Kids learn by example. Taking them to work allows them to observe a particular work setting, its purpose and the way you and your co-workers operate in it. If you like your job, your child will see that, and it will help them understand that work is not just about money. If you dislike your work no matter how much it pays, they won't miss that either – and that's a valuable lesson as well.

Prepare yourself to deal with their mistakes and failures: Your child may have rough times on the job; they might lose their job or fail to get paid. Don't fight their battles for them, but be ready to offer advice that will encourage them to work well with people, always seek out better opportunities and ensure proper value for their work. Money lessons are not always about money.

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PAYING FOR WEDDING BELLS: IS THE BIG PARTY WORTH A SOLID FINANCIAL START?

Do you want a wedding or a car? How about a wedding or a down payment on a home or condo? How about a wedding or no student debt? With the average American wedding costing approximately \$27,000, (not including the ring or the honeymoon trip), couples really need to consider whether the cost of their special day is worth more than a solid head start on their financial future.

The Condé Nast Bridal Media statistic shows that the price of the average wedding can derail a solid financial start for most couples. One good way to consider whether a pricey wedding makes sense is to consider immediate expenses and financial goals waiting for you after you say "I do:"

What is your total debt? Add up credit card, student, auto and any other debts owed by you and your future spouse. Consider what giving yourselves the dollar amount of your wedding cost would do to extinguish that debt and put you on a road to saving for a home, a car paid for in cash or an early start on your retirement. A debt-free future might not sound romantic, but it certainly diminishes one of the major issues that sink many marriages – money problems.

Do you plan to own a home? The National Association of Realtors reported that at yearend 2006, the average median price of a U.S. existing single-family home stood at \$219,300. Granted, many people are buying homes with little or no down payment these days, but does that have to be you? A 20 percent down payment on a home selling for that amount stands at \$43,386. A smaller wedding would give you a jumpstart on that amount.

How's your credit? If you and your future spouse have had money problems or a bankruptcy in the past, it's not a bad idea to focus on saving and conserving assets instead of blowing a large lump of cash at the beginning. You'll find yourself in a much better position to borrow and invest once bad credit details are removed from your credit report.

Do you plan to have kids soon? Kids cost a bundle. The U.S. Department of Agriculture compiles an annual survey on what it costs to raise a child from birth through age 17. In 2006, annual child-rearing expense estimates ranged between \$10,220 and \$11,290 for a child in a two-child, married-couple family in the middle-income group. And we're not even talking about college. By 2424, the College Board estimates you'll be paying an average of \$129,845 for a four-year public school education and private school will cost \$314,674.

However, you're lucky because your parents are paying for the wedding, right? You might consider asking them whether they're really in a position to spend that much money, particularly if they're not caught up on their own retirement spending or have to support an elderly relative. But no matter who's paying the bill, there are smart things to do to make sure your biggest day isn't your biggest debt:

Time the engagement to a savings goal: Put a budget and savings goal in place from the moment you get engaged. After checking basic prices, set a ballpark figure and then add on an extra amount for contingencies such as gratuities and unforeseen expenses that might happen by the big day.

Make savings automatic: Designate a certain amount to be taken out of your paychecks each week to go into an interest-bearing account or CDs that will come due by the wedding. Make sure your money is insured.

Reset your spending: Engagement means parties, planning for a new household, travel and a number of other new spending priorities, but make an effort to curtail your spending so you don't destroy your savings goals for the wedding.

Keep an open mind: Your reception doesn't have to be at the fanciest hotel in town, nor does the bride necessarily require a \$15,000 wedding dress. Increasingly, couples are looking to alternate venues and creative but affordable choices for food and clothing for the whole ceremony.

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