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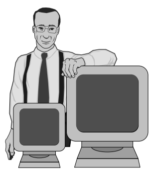


From The President's Desk

Ralph H. Phillips

We're all talking about Social Security reform and "Save for Social Security". Based on current trends, it isn't expected to last much past 2032, or the year when today's 32-year olds will reach 65. Somehow, though, that news never seems to rattle us.

The question is, "Can we count on the Social Security system after retirement, when our earnings begin to shrink?" The answer should be an emphatic "NO!" Sure, there will be plenty of serious talk about this topic between now and then, such as a more aggressive investment plan for the Trust Fund. However, according to a recent study, even a fictional portfolio with 60% invested in stocks would do little to keep the Social Security system from going bankrupt, but delay the Trust fund's projected bankruptcy date by a decade. In other words, it would buy us time, but not a solution.

The bottom line, then, is that you and I must rely on our own investing skills to make our private nest as big as possible. Where to put your money? — IRAs, employer-sponsored retirement programs, stocks and bonds? One reason people fail to maximize the potential of their savings vehicle is that the government sets down an almost incomprehensible labyrinth of rules and regulations governing contributions to, and withdrawals from, these plans. To clear the way we the professionals at ***Kensington Financial Services, Inc.*** are here to help, with your best interests in mind. You can reach us at: (724) 334-1950, 1-800-547-6998, or k-admin@kensingtonfinancial.com.

Break The Paycheck Cycle

NEW YORK (CNNfn) - Ask any woman to name her most pressing financial concern, and chances are she will lament her inability to save nearly as much money as she should -- if, indeed, she is saving at all.

In fact, studies show that living from paycheck to paycheck is the No. 1 financial concern of American families. And that remains true whether the household earns $15,000 a year or $150,000.

How can you break the cycle relatively painlessly and start socking away the money you need to meet your long-term financial goals?

Here are a few tips:

Plug the leaks in your cash flow. Instead of wondering where your money goes each month, make up your mind to really find out. Pull out your year-end statements from credit card issuers, look over the last bills you received for your mortgage, utilities, and other major expenses and jot down the amounts.

Then, for the next week or two, carry a small notepad in your pocketbook. Every time you spend money, record

(Continued on page 4)

Making Summer Jobs Less Taxing

Your children may be able to put income-tax withholding on hold. — Macaroni penguins and Shamu the killer whale are key attractions at SeaWorld Adventure Park in Aurora, Ohio. So are about 2,300 summer jobs, coveted by high school and college students willing to risk such perils as getting splashed by dolphins. But many student hires don't give much thought to another hazard that surprises summer-job holders everywhere: income-tax withholding.

They get their first paychecks and--what's this?!--the bottom line is a whole lot lower than they expected. But it doesn't have to be that way. There's a chance your kids can tell the IRS to keep its hands off.

Summer workers can block withholding if they didn't owe any tax in 1998 and don't expect to owe any

(Continued on page 2)

10 Common 401 (k) Mistakes

1. **Basing investment choices on the recommendations of co-workers. One size does not fit all.**
2. **Choosing the "safest" investment, without understanding that all investments involve risk.**
3. **Assuming the most aggressive investment thinking will automatically produce the greatest return.**
4. **Allocating assets based on the number of available funds (i.e., if the company offers 10 funds, putting 10% in each.)**
5. **Putting most of your assets into your company stock.**
6. **Not contributing to your 401 (k) because you do not like the choices. Even a poor plan is better than no plan.**
7. **Making investment selections without taking into account what else you own. Look at your whole portfolio, including your spouse's retirement plan.**
8. **Trying to time the market.**
9. **Taking the money out when you leave a job. Not rolling it into an IRA.**
10. **Not maximizing your employer's contribution.**

Uncle Sam's Wedding Surprise

This Summer's newlyweds may be the last to unwrap the marriage tax penalty. Do you think the folks at the IRS hear the crass ka-ching! of a cash register when the rest of us hear the romantic clink of wedding toasts? After all, joining two incomes at the altar often produce a windfall for the government. But this year's crop of newlyweds may be the last to walk down the aisle to a rendezvous with the marriage tax penalty. The growing federal budget surplus makes it likely that long-promised marriage-penalty relief will make it through Congress this year. If so, Jenifer Chesnek and her fiancé, Dave Herbst, will be able to return the unwelcome "gift" from their Uncle Sam.

The marriage tax penalty is probably the last thing on Jenifer's and Dave's minds as they whirl toward their upcoming nuptials in St. Petersburg, Fla. But if relief is not forthcoming, they'll join about 21 million married couples who pay more in taxes together -- at last count, an average of $1,400 more -- than they would have if they had stayed single.

The marriage penalty takes many shapes. For example,the standard deduction this year is $4,300 for a single filer but only $7,200 for a couple filing jointly, so tying the knot means Jenifer and Dave will deduct $1,400 less for 1999 than they did on their separate 1998 returns.

The tax brackets for married couples are also less than double those for singles. The 28% tax bracket extends to $62,450 for a single person but to only $104,050 for a married couple; when two individuals whose earnings put them at the top of the bracket get married, more than $20,000 of income gets pushed into the 31% bracket. Phase-out levels for credits, deductions and other goodies on joint returns are generally less than twice those for single taxpayers. For instance, the income cap for converting a traditional IRA to a Roth IRA is the same $100,000 whether you're single or married. So a man and a woman earning $50,001 each can easily switch to a Roth; however, a husband and wife with the same incomes are forbidden to do so.

Jenifer, 26, and Dave, 24, are actually among the luckier couples: They'll pay only about $200 more this year than they would have if they had stayed single. But as she logs more years as a kindergarten teacher and he graduates from journeyman's school and launches his own business as an electrician, their combined $50,000 income is bound to rise -- and with it, their tax penalty. If Jenifer and Dave were making twice their current salaries, their tax penalty would jump to roughly $1,500.

That's big money, and it's the reason marriage-penalty relief is a hot topic for Capitol Hill's would-be tax cutters on both sides of the aisle. But it's tough for lawmakers to figure out how to solve the problem, in part because lots of married couples enjoy a marriage bonus. The more divergent a husband's and wife's incomes, the more likely they are to pay less tax after marriage than before. Compared with the 21 million couples saddled with a marriage penalty, another 25 million newlywed couples actually earn a tax cut averaging $1,300 a year.

The legislative fix now leading the charge in Congress would make the standard deduction for married couples twice that for single filers, thus eliminating Jenifer and Dave's penalty. It would also make the 15% bracket for joint filers twice that of singles -- but would do nothing for taxpayers who itemize deductions.

Although it's a good bet that Congress will okay some sort of relief before the year is out, don't spend your savings yet. The final law will almost surely be skewed toward lower-income couples, and it might take a while to reach your bottom line.

"The marriage penalty is very expensive to fix because it applies to so many people," says Mark Watson, a partner with consulting firm KPMG's Washington National Tax Practice. The compromise he expects will be an old budget trick: the phase-in, meaning any break will be gradually introduced over a number of years. But you can wait, right? You've got love on your side. — *Marc L. Schulhof*

(From "Making Summer Jobs..." page 1)

tax in 1999. And children claimed as dependents on their parents' returns can earn up to $4,300 at a job this year before any federal income tax is due. If their "unearned income"--say, from a bank or mutual fund account--is $250 or less, the total of that and their wages can't exceed the same $4,300 threshold. When investment income exceeds $250, though, they can't dodge income-tax withholding if total income will exceed $700.

Although the rules aren't simple, making the selection is: Just write "exempt" on line 7 of the federal W-4. If earnings exceed $200 a week, the employer has to send a copy of the W-4 to the IRS, which might send a letter asking if you really understand the rules. Now you do.

A final point: Although some summer workers can avoid income-tax withholding, there's no way around the 7.65% social security tax. — *Marc L. Schulhof*

Kensington Financial Services, Inc. does not provide tax or legal advice. Please contact your Certified Public Accountant for a more detailed look at the tax laws.

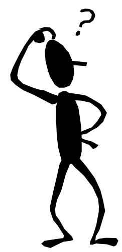
Kids' take on taxes

Think taxes are good:	**71%**
Think taxing allowances would be a bad thing:	**89%**
Would rather go to school year-round than pay taxes:	**51%**

Source: Survey of 8- to 11-year-olds in ten US cities.

The Winner's Curse:
How to Ease the Pain

Q: For the past seven years or so I've plowed back all of my mutual fund realized gains, and my holdings have better than tripled. A great position to be in, right? Wrong! The gains are great, but to accomplish it, I've had to dip in my jeans to pay the IRS. Now, it appears that I've created an 800-pound gorilla because the pocket of my jeans no longer holds enough cash to cover the end-of-the-year tax bill. Consequently, to pay the tax I'll have little choice but to dip into other retirement income, which unfortunately creates a serious decrease in my spendable cash flow. At age 75, income is more important than capital growth. What I want to do is to cash in a lot of the shares that I've already paid taxes on, in reverse order in which they were received. I recall reading that shares cashed in can be treated as last in, first out rather than first in, first out. Granted, some taxable income would be due, but not necessarily as much.



A: You're correct that a little planning in choosing which specific shares of a fund to redeem will likely save you some taxes. But whether you bought those shares first or last, or by direct investment or by reinvestment of distribution, is not the key. You will generally minimize your taxes by selling your highest-cost shares first, then your next-highest-cost shares, etc., subject to those shares having been owned for more than one year so you can qualify for the lower tax rates applicable to long-term capital gains. This is known as the "specific share method" and is but one of several available means of calculating the taxable gain when you sell fund shares. This method lets you choose among all the shares of a fund that you own to select for redemption the particular ones that produce the best tax result for you. That generally means the shares that cost you the most. To use this method, you must notify the fund in writing which shares you have selected for sale and obtain a written confirmation from the fund, or its transfer agent.

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According to a recent survey by Fortune Magazine, PITTSBURGH was ranked as the 7th best place to live. Here are some statistical snapshots:

Pgh. Statistic	National Average	Pgh. Rank
CRIME (Property crime yearly per 100,000 people.)		
2,361.9	4,686.24	1
MEDIAN HOME PRICE (For a 2-bedroom home)		
$82,000	$110,590	1

Insurance That's Not Worth It —
Don't fall for every policy pitch...

NEW YORK (CNNfn) - If you took the advice of the insurance industry, you'd be covered against every possible calamity known to mankind -- not just the possible death of a spouse or your own sickness of disability, but plane crashes, credit-card fraud, floods, hurricanes and a host of other calamities.

You'd also be broke within a year or two of paying the exorbitant premiums. Which commonly sold policies are really not worth the money? Here are the ones that make my short list:

Dread-disease insurance. If breast cancer or heart attacks or some other terrible disease runs in your family, you may be scared enough to consider buying an insurance policy designed to cover the costs of that specific illness. Don't do it. The guidelines on so-called dread-disease policies are often complicated, the benefits are difficult to qualify for and limited, at best. Most important, you should already be covered for these diseases under your regular health insurance policy. Why pay for duplicate coverage?

Credit insurance. The pitches from banks, mortgage companies and credit-card issuers offering to pay off the balance due on your loans if you become disabled or die sound reasonable on the surface. But, in fact, they're usually a bum deal. If you become disabled or are laid off, these policies typically pay only the monthly minimum on your debt, and they usually do so for a limited time, such as a year. If you die, your spouse or your children can simply use part of the proceeds from your life insurance policy to pay off your debts.

Flight insurance. Your chances of slipping and killing yourself in the bathtub are just as great as the possibility of dying in a plane crash, but you're not exactly running out to buy tub insurance, are you? Sure, flight insurance is cheap, but it's still not worth it. In any event, you may already be covered: If you charge plane tickets on your credit card, many issuers give you automatic flight insurance at no charge.

Life insurance for children. Not only are the odds against a young child's death much too slim to warrant this coverage, but unless you've given birth to a major child star, it's not as if you have to worry about replacing his or her income if tragedy does strike. No amount of money will ever compensate you for the loss of your child. Period, end of story.

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(Continued from page 1 "Break The Paycheck Cycle")

the item and the amount -- from a cup of coffee and a muffin, on the way in to work, to the magazine or pack of mints you pick up on the way home. (You'll be amazed at how those pesky little under-$5 outlays add up.). With a record of your expenses in front of you, the areas ripe for cutbacks will leap out at you.

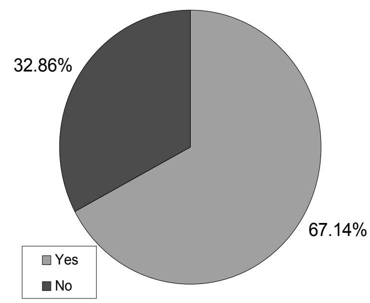
Put your savings on automatic pilot. Don't rely on self-discipline to save money on a regular basis. Instead, enroll in an automatic savings program at a mutual fund company, brokerage house or your local bank. Similar to the way a 401(k) plan works at the office, you just tell the financial institution how much you want to save each month and which investment you want to put the money in. The amount will be automatically deducted from your checking account until you tell them to stop.

These plans make saving a relatively painless proposition. The reason: You rarely miss cash that you've never actually held in your hands and had an opportunity to spend.

Elect plastic surgery. If you're among the two-thirds of all households who don't pay off their credit cards in full every month (average balance: $7,000; average interest paid in a year: $1,300), no wonder you're finding it difficult to save. Chop up all but two of your cards (the average household has 14) -- one to be used for personal expenses, one for business -- and pledge that from this moment forward, you'll use those cards for convenience only and pay the bill in its entirety as soon as it comes in.

And here's a really heretical thought for you, in our credit-happy society: If you can't afford to pay the entire amount at once, don't buy the item. Allow yourself little luxuries. Trying to save money is a lot like going on a diet. If you try to lose weight but don't allow yourself an occasional dish of Ben & Jerry's or any of the foods that give you pleasure, you'll never stick to it. Similarly, if you don't leave room in your budget for the stuff that makes you happiest, you'll never stick to a spending plan. The idea in both cases, after all, is to teach yourself to limit consumption, not to give it up entirely. So find ways to cut the cost of the products and services that matter

"Should Congress make it harder to declare bankruptcy?"



Tech Tip

In the typical single-family home, water leaks accounted for nearly 13 percent of indoor water use last year, according to the American Water Works Association. A leaking toilet is often an unnoticed cause, our experts say. To check for problems, put several drops of food coloring in the toilet tank. If, without flushing, the colored water seeps into the toilet bowl, your toilet is wasting water.

Often you can fix the leak by replacing the flush valve (also known as the flapper valve), the plastic or rubber disc connected to the flush lever by a piece of chain. When the seal is tight, water can enter the bowl only when you flush.

A costlier problem involves replacing the seat on which the flush valve sits. (You'll likely need a plumber.) If yours is an older toilet, consider replacing the entire toilet with a new low-flow model.

— Consumer Reports

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Ralph H. Phillips, President
Renee M. LeVeque, Vice President — Editor
Daniel Pomerantz AND Quang Tran, Intern Editors

Tell Us What You Think
Phone us at: **(724) 334-1950**
Fax us at: (724) 334-1954
See us on the Internet at: www.kensingtonfinancial.com
OR Email us at: k-admin@kensingtonfinancial.com

"Wallstreet Wisdom"

Never confuse brilliance on your part with a bull market

"The intelligent investor is likely to need considerable will power to keep from following the crowd"

— Benjamin Graham

The Editor, c/o The Kensington Times, 936 Fourth Avenue, New Kensington, PA 15068.
KENSINGTON FINANCIAL SERVICES, INC. • 936 Fourth Avenue • New Kensington, Pennsylvania 15068 • (724) 334-1950