Kensington Times

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My Credit Report Says What?

You should be reviewing your credit report regularly (many experts recommend that you do it at least once per year, if possible). More importantly, review your credit report before applying for any kind of credit, because this will give you the chance to catch and correct any errors that may be on the report. (You will likely find the document much more interesting than you originally expected.)

To get a copy of your credit report, you may contact any, or all, of the main credit reporting bureaus that keep such records. Companies like:

Equifax: 800-685-1111
www.equifax.com

Experian: 888-397-3742
www.experian.com

Transunion: 800-888-4213
www.transunion.com

It can be extremely worthwhile to get all three reports, as some credit information may have only been reported to one bureau or reflected on one credit report. You can order a copy of your combined credit report from all three bureaus by going online: **www.truelink.com/about/about.php**.

You are entitled to a free copy of your credit report if you live in certain states, or within 60 days of being denied credit, employment, insurance, or rental housing. Otherwise, it may cost you about $8 per report, or possibly more for the three-in-one combined report.

If you notice errors or discrepancies on your credit reports, correct them immediately. Somewhere in the report, often at the end, are instructions on how to dispute anything that you believe may be in error.

If your report contains information

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Investment Scams Targeting The Elderly

Since the September 11th terrorist attacks and changes in the stock market conditions and other investment venues, many investors, especially older Americans who depend on interest to supplement their incomes, are looking for safer havens.

Many con artists are pitching their investments as low risk and high return. This, in our opinion, is an impossible combination; the higher the potential return, the greater the risk to the investor. State regulators estimate securities fraud costs Americans billions of dollars each year.

While the new list of scams include many repeat offenders, a few new ones have surfaced. Here is a list of the top 10 scams released by state regulators:

- **Unlicensed individuals**, such as life insurance agents, selling securities. If the person is not registered (with the NASD & SEC), ***do not*** invest with that person.
- **Affinity group fraud**. Scammers use their victims' religious and ethnic identity to gain their trust.
- **Pay phone and ATM sales.** Investors leased pay phones at between $5,000 & $7,000 and were promised returns of 15% or more. Regulators say the largest of these scams appear to be nothing more than pyramid type schemes.
- **Promissory notes**. Short-term debt instruments issued by little known and sometimes non-existent companies promising high returns.
- **Internet fraud**. Regulators urge investors to ignore anonymous financial advice on the Internet and in chat rooms.
- **Ponzi/Pyramid schemes**. These swindlers promise high returns, but the only people who profit are the

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2001 Tax Act and Quick Tax Facts

In 2001, the United States Congress passed and our President signed the 2001 Tax Reconciliation Act.

While we are NOT attempting to give you a complete overview, here, of the changes enacted by this law (that would be impossible), we would like to pass along some information we feel is vital to any taxpayer or investor.

We highly recommend that you contact a tax qualified certified public accountant for advise concerning tax issues, especially in regards to the Tax Reconciliation Act.

Individual Income Tax Rates
Rate Reduction Credit For 2001:

Single Individuals ………… $300
Head of Households ………. $500
Married Individuals ………… $600
(Joint Returns)

Tax Years 2001 through 2007:

Single Individuals ………….. 10%
Tax rate on first $6,000 of taxable income
Heads of Households ……… 10%
Tax rate on first $10,000 of taxable income
Married Individuals ..……….. 10%
(Joint Returns)
Tax rate on first $12,000 of taxable income

After 2007:

Single Individuals ………….. 10%
Tax rate on first $7,000 of taxable income
Heads of Households ……… 10%
Tax rate on first $12,000 of taxable income
Married Individuals ..……….. 10%
(Joint Returns)
Tax rate on first $14,000 of taxable income

Tax Years:
July 1, 2001 through 2003

28% rate reduced to ……….. 27%
31% rate reduced to ……….. 30%
36% rate reduced to ……….. 35%
39.6% rate reduced to ………38.6%

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Women and Investing

In many ways, men's and women's investment planning issues are the same. Both need to start early, be informed, and keep up a steady pattern of investments. Man or woman, everyone should identify the purpose of each dollar invested- emergency fund, college education, retirement, etc.—and invest it accordingly.

There are differences in women's life patterns, however, that suggest they should take investing for the future even more seriously than men do, especially when it comes to retirement planning. Women must plan to depend more heavily than men on their own savings than on employer-provided plans and Social Security benefits because:

Threats to Financial Security

- The average woman spends 15% of her career out of the paid workforce caring for children and parents. (Women's Institute for a Secure Retirement)
- For every year a woman stays home caring for a child, she must work 5 extra years to recover lost income, pension coverage and career promotion. (National Center for Women and Retirement Research)
- Women retirees receive only about half the average pension benefits that men receive—about $4,200 annually compared to $7,800 for men. (Women's Institute for a Secure Retirement)
- 50% of all working women are in relatively low paid jobs without pensions. (Women's Institute for a Secure Retirement)
- One year post divorce, the average mid-life woman remains single with an average income of $11,300. (National Center for Women and Retirement Research)
- Women change jobs more frequently than men. (Women's Institute for a Secure Retirement)
- Over 58% of female baby boomers have less than $10,000 saved in some form of retirement savings. (National Center for Women and Retirement Research)
- At some point in their lives, 9 out of 10 women will be solely responsible for their finances. (Bureau of Census)

Women Live Longer Than Men

- The average age of widowhood in the United States is 56. (National Center for Women and Retirement Research)
- On average, women live 7 years longer than men—79 years for women as opposed to 72 years for men. (Bureau of Census)
- The median income for elderly women is $8,189. (Bureau of Census)
- Health care needs are likely to be greater for women than men since they live longer. (Bureau of Census)

Women Are A Large Part of the Workforce

- 75% of all women between the ages of 25-54 were employed in 1999. Of these women 65 and over, 9% were working. (Department of Labor)
- There were 62 million working women in 1999, with 75% working full time. (Department of Labor)
- Families with the wife employed had the highest median income of all family types. (Department of Labor)
- Women earned only 76% of what men earned in 1999. (Department of Labor)
- Women collectively earned more than $1 trillion a year. (Department of Labor)

Women Need To Take Action

- Nearly 70% of women say they have no idea how much money they'll need for retirement. (National Center for Women and Retirement Research)
- 53% of women are more likely to spend rather than save for their future. (National Center for Women and Retirement Research)

Talking to Your Teens About Money

If you have teenagers, you know how they can make your money disappear. Last year the nation's 28.5 million adolescents spent nearly $90 billion, according to Teenage Research Unlimited, a Northbrook, Ill. Market research firm.

How can parents get teenagers to listen to money advice?
The truth is, you often won't be able to get them to listen. Money discussions can be extremely frustrating. Don't preach. Just offer advice from time to time, particularly when their spending gets out of hand.

What's the use if they won't listen?
Because somewhere along the line, when peer pressure isn't so strong, they'll heed your advice. Ultimately though, teens learn best from our own examples. If you spend money frivolously, chances are excellent that your kids will too.

What should you try to tell them?
The first step is to communicate openly about your family's financial position—especially regarding college—while your teen is still in junior high. If you can afford only a state school, say so. That gives them the time to earn money if they want to go somewhere else, or to boost their grades to get more financial aid.

What should you do to encourage your teen to save money?
Help establish a savings goal. For a younger teen, the goal may be a CD player or a car; for an older

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Crunching For College Cash? Here Are A Few Tips

- Start Saving as early, and as regularly, as possible. In fact, you may want to consider establishing an automatic investment plan specifically for your child's education.
- Remember: the more time you have until your child or grandchild goes away to college, the more aggressive your investment plan should be. Consider stock mutual funds as an excellent choice.
- Apply for financial aid as soon as possible. There is a set amount of funds for these programs each year, so even if you are eligible for aid, you may lose out if you do not apply as soon as possible.
- Borrow as inexpensively as possible. Some possible sources of lower-cost college loans include: loans from grandparents or other family members; home equity loans; loans against your employer-sponsored retirement plan; and policy loans on whole life insurance.
- Stay informed. Many guidebooks list alternative sources of financial aid, including awards from corporations and community groups. The company you work for may also offer help with college costs, including scholarships.
- Don't neglect your own retirement. It may seem selfish, but it can help shelter part of your overall assets from financial aid calculations, and it could help prevent your children from having to support you financially when you retire.

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promoters.

- **Callable CD's**. This scam usually involves high-yield certificates of deposit that mature in 10-20 years, **unless the financial institution**, ***and not*** the investor, redeems them early. This can result in large losses to the investor.
- **Viatical settlements**. The insured get a percentage of the death benefit in cash; investors get a share when the insured dies. These investments are extremely speculative.
- **Prime bank schemes**. Scam artists promise investors large returns through access to investment portfolios of the world's elite banks.
- **Investment seminars**. Often the only people getting rich are the people running the seminars charging admission and selling products.

We urge you to never invest with a person or group that you have not thoroughly investigated. To check-out salesperson, investment, or broker, you should start by contacting the following organizations:

Commonwealth of Pennsylvania Securities Commission
1010 North 7th Street
Harrisburg, PA 17102
1-800-600-0007

National Association of Securities Dealers (NASD)
1818 Market Street
14th Floor
Philadelphia, PA 19103
1-800-289-9999

Securities and Exchange Commission (SEC)
Curtis Center, Suite 1005 E
601 Walnut Street
Philadelphia, PA 19106-3322
(215) 597-3100

Commonwealth of Pennsylvania Department of Insurance
1300 Strawberry Square
Harrisburg, PA 17120
(717) 783-8975

Sixth Annual Golf Classic

The **Sixth Annual Kensington Financial Golf Classic** (to benefit the **Lora Lee Phillips Memorial Scholarship Award** at Penn State New Kensington) will be held **Friday, June 7th** through **Sunday June 9th, 2002** at Meadow Lane Golf Club in Indiana, PA. The social events will be held at the Indiana Holiday Inn.

Lost Wallet Tips

Place the contents of your wallet on a photocopy machine, and copy both sides of each license, credit card, etc. You will have a record of the contents in your wallet, including all of the account numbers and phone numbers needed to call for cancellation. Place the photocopy in a safe place.

We've all heard the horror stories about fraud that is committed in your name, address, Social Security Number, credit cards, etc. Here is some critical information to limit the damage in case this happens to you, or to someone you know.

As most financial planners advise: cancel your credit cards immediately. The key to this is having the correct toll free numbers, and the credit card numbers handy so you will know whom to call and what information to provide when you make the call. Keep these where you can find them easily.

File a police report immediately in the jurisdiction where the wallet was stolen. This proves to your credit providers that you were diligent, and it is the first step toward a possible criminal investigation.

Here is the most important thing you will need to do if your wallet is ever stolen: Contact the three national credit reporting organizations immediately to place a fraud alert on

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2004 through 2005

28% rate reduced to ……….. 26%
31% rate reduced to ……….. 29%
36% rate reduced to ……….. 34%
39.6% rate reduced to ………37.6%

2006, and after

28% rate reduced to ……….. 25%
31% rate reduced to ……….. 28%
36% rate reduced to ……….. 33%
39.6% rate reduced to ………35%

Child Tax Credit

Tax Years:

2001—2004
Maximum credit per child …….... $600
2005—2008
Maximum credit per child …….... $700
2009
Maximum credit per child …….... $800
2010, and after
Maximum credit per child …… $1,000

Education IRAs

After 12/31/2001:

Maximum annual contribution … $2,000 *(per beneficiary)*

Student Loan Interest Deduction

After 12/31/2001:

Phase-out ratings for allowable deduction increased:
Single Individuals … $50,000—$65,000
Married Individuals *(Joint Returns)* … $100,000—$130,000

Alternative Minimum Tax

Exemption Amounts

Tax Years:

2001—2004: Annual AMT exemption for married individuals and surviving spouses increased by ……….... $4,000
2001—2004: Annual AMT exemption for other individuals (e.g., singles) increased by ………………….... $2,000

Individual Retirement Accounts

Tax Years:

2002—2004
Max annual contribution limit - $3,000
2005—2007
Max annual contribution limit - $4,000
2008
Max annual contribution limit - $5,000
Individuals age 50 and over may make catch-up contributions.

Qualified Plans

401(k), 403(b), SEP Plans

Tax Years:

2002 - Maximum annual limit on elective deferrals ………$11,000
After 2002 - Maximum annual limit increased by $1,000 per year until 2006 when it reaches a maximum of ……………………… $15,000

457 Plans

Tax Years:

2002 - Maximum annual limit on elective deferrals ………$11,000
After 2002 - Maximum annual limit increased by $1,000 per year until 2006 when it reaches a maximum of ……………………… $15,000

Estate and Gift Tax Rates

Tax Years:

2002—2009 Phase-out of top estate and gift tax rates from 55% until in 2007 through 2009 they reach ... 45%
2010 Estate tax repealed …… 0%
After 2009 Top gift tax rate ..…. 35%
2011 Reinstatement of ……..…. 55%

Unified Gift and Estate Tax Exclusion Amount

Tax Years:

2002—2009 Phase-in of estate tax exclusion amount from $1 million in 2002 until 2009 when amount reaches $3.5 million

Little Known Facts About the $1 Bill

Pull out a $1 Bill, look at the back, and find all the 13s listed below

- 13 steps on the pyramid
- 13 stars above the eagle
- 13 bars on the shield
- 13 leaves on the olive branch
- 13 fruits on the branch
- 13 arrows in the eagle's grasp
- 13 letters in the Latin above the pyramid, ANNUIT COEPTIS
- 13 letters in E PLURIBUS UNIM

Marriage Penalty Relief

Standard Deduction

Tax Years:

2005—2008 Phase-in of increased standard deduction for joint returns. Increase will start at 174% of standard deductions for single returns.
After 2008 it will reach …….. 200%

15% Tax Rate Bracket

Tax Years:

2005—2007 Phase-in of expansion of 15% tax rate for joint returns. Increase will start at 180% of the end point of 15% for single returns.
After 2007 it will reach ….. 200%

Retiring before age 62 will affect your benefits

People generally consider age 65 to be the standard retirement age. However, some people are fortunate enough to retire many years before that, usually while they are still in their 50s. If you do have the opportunity to leave the daily grind, you should know how this early retirement will reduce your Social Security benefits. Here are some facts that will help you understand how this works.

Your Social Security benefits are calculated on a percentage of your monthly wages during your highest 35 years of earnings.

Because your annual salary tends to increase each year, anyone who retires before age 62 is missing out on their highest earnings.

There will be more of an effect if you do not have 35 years of Social Security covered earnings by the time you retire. If you only have 25 years of earnings, Social Security factors in 10 years of "zero" earnings to calculate the benefits you receive in order to reach the 35 year base.

The earliest you can start receiving Social Security retirement benefits is age 62. At age 62, your benefit is reduced 20 to 30 percent (based on your year of birth) from the full amount you would receive at full retirement age. Full retirement for Social Security is age 65 for those

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that is negative, but accurate, you can expect that to remain on your report for seven to 10 years. You may still lessen the sting of that information, though, by paying your bills on time. Credit issuers tend to give more weight to your recent bill-paying history, so a clean record for the last year or two can make a real difference.

If your credit report is just a big mess, think twice before considering using the services of a "credit repair clinic." According to the Federal Trade Commission, these types of clinics are often scams. The credit bureau, Experian, concurs noting that "consumers pay so-called credit clinics hundreds and even thousands of dollars to 'fix' their credit report, but only time can heal bad credit."

Don't neglect your credit report. Fixing any, and all, mistakes on your report and maintaining a good credit history can make your life much easier. You can also learn more about credit issues at **www.ftc.gov**. For copies of FTC brochures on credit issues, call 1-877-FTC-HELP (1-877-382-4357).

Understanding Your Credit Report

Along with your credit history, your credit report includes a summary of public records. This is followed by a detailed description of each item in your credit history. Entries that may have a potentially negative effect on your future credit extension are generally listed first on the report. Additional details about your accounts are also provided, listing up to 24 months of balance history and your credit limit or high balance on credit cards & accounts or original loan amounts.

Your credit report will also include a listing of who has requested your credit history. This section shows you who has looked at the information in your credit report or was given your name during the past two years. These are called "inquiries."

The personal information section about you includes data associated with your records that has been submitted to the credit-reporting agency by you, your creditors, and other sources. This data can include the following:

- **Name(s)**: If variations of your name were reported to the credit bureau, they will appear in this personal information section.
- **Residence(s)**: Your present and previous addresses will be included. Also appearing here is a geographical code, similar to a ZIP code, representing your state, census tract, block group, county number, and the Metropolitan Statistical Area associated with your address. Your report also may indicate whether you are a homeowner or renter.
- **Social Security Number(s)**: If variations of your Social Security number were reported to the credit agency, they will appear here.
- **Verifying Information**: Information used to verify the data you provided to a credit grantor also might appear in this area. This may include the following: date of birth, driver's license number, spouse's name, and various phone numbers.
- **Employer(s)**: Your present and previous employers will be listed here if they have been reported to the credit-reporting agency.
- **Notices**: This section calls your attention to further explanations of any personal information.

Should you have questions after reviewing your report, the bureaus invite you to contact them. Their customer service representatives will work with you to resolve any questions.

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born before 1938. Full retirement is age 67 for those born in 1960 or later.

If you want to see the effects that early retirement will have on you, visit the "Benefits Planner" page on the Social Security Web site, **www.ssa.gov**, which allows you to examine the various scenarios.

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your name and Social Security number.

This alert means that a company that checks your credit knows that your information was stolen and they have to contact you by phone to authorize new credit.

You can find the numbers to the credit reporting agencies on the first page of this newsletter. Another number to call, immediately, is the Social Security Administration Fraud Line, at 800-269-7289.

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one, college. To buy a $3,000 car as a high school junior, a seventh grader might save $10 a week from allowances and gifts in a money-market fund, then increase it to $20 from jobs in high school.

Should you help your teen get a credit card?

Generally, no. If your child gets a credit card without you co signature—and it is easy to do so—make it clear that you will not cover the bills, nor will the card issuer expect you to.

401(k)s for All

New individual plans can help the self-employed put away even more money. Thanks to a little-known provision of tax legislation that passed in June, a self-employed individual can now create 401(k) accounts for the first time, but they can also shield more earnings than ever from taxes.

To illustrate how this works, let's say there is an incorporated one-person business that makes $100,000 a year. In the past, the person could only set aside 25 percent of their income in a variety of tax-protected investments. Now, they can put it in a 401(k) and add an additional $11,000 to it. Owners of one-person unincorporated businesses can put aside 20 percent of their income, plus the maximum $11,000 employee contribution.

Contact us at 724.334.1950 to see how this new plan will benefit you.

Kensington
Financial Services, Inc.
2866 Leechburg Road, Suite #2
Lower Burrell, PA 15068

In This Issue

Tell Us What You Think
Phone us at: **(724) 334-1950**
Fax us at: (724) 334-1954

See us on the Internet at: kensingtonfinancial.com/real
OR Email us at: k-admin@kensingtonfinancial.com

Wall Street Wisdom

"You must learn from the mistakes of others. You can't possibly live long enough to make all of them yourself."
—Sam Levinson