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FAST CASH-HOW TO SAVE \$1,000, \$2,000, OR EVEN \$5,000 IN JUST ONE YEAR



Imagine what you could do if your bank account was suddenly bulging with extra cash. Would you renovate your bathroom? Splurge on a new laptop? Take a trip to Hawaii? Update your entire wardrobe? No doubt you already have a goal you'd like to reach within the next year. The one hitch is, of course, coming up with the cash. But with a little determination and creativity, you can quickly accumulate a bundle of money.

You might follow the example of Anne Taulane, 27, a website and publications assistant for a law firm, who was determined to take a two-week trip to France and Spain without going into debt. "I cut back on going out on the weekends and having lunch out during the week," she says. "I also gave up little luxuries, like having my eyebrows waxed. Now I pluck them myself." She reached her goal in just a couple of months. Inspired? You should be. Here's how you can do the same in just a few easy steps.

Define Your Dream

Have some fun fleshing out your fantasy. For instance, if you want to renovate your kitchen, make a list of the changes you most want, then investigate the costs. If you can't come up with the \$10,000 that you'd need to replace all the cabinets, consider painting them instead. Perhaps you'll be able to sock away enough money for a gorgeous sink and new countertops, too.

Calculate The Cost

Figure out how much you must set aside each month to finance your dream (see chart). If your goal is to save \$3,000 in the next 12 months, you'll need to stow away \$250 a month or \$58 a week. If that sounds like more than you can swing, consider spreading your goal out over a longer period—say, 18 months to two years.

One-Year Savings Plan

If you want this amount	Save This Weekly	Save this Monthly
\$1,000	\$29.50	\$83.50
\$1,500	\$29	\$125
\$2,000	\$38.50	\$167
\$2,500	\$48	\$208.50
\$3,000	\$58	\$250
\$3,500	\$67.50	\$292
\$4,000	\$77	\$333.50
\$4,500	\$87	\$375
\$5,000	\$96.50	\$417

Find the Money

This step is the trickiest. "If you want to save \$1,000 to \$5,000 in a year, it's not about what you'll get in the way of investment returns," says Catherine Odelbo, a president with Morningstar, a global investment-research firm. "It's all about how well you save." Here are four strategies for creating a cash reserve.

1. Trim Back on Luxuries

To get a clear picture of your spending pitfalls, keep track of your expenditures for a few weeks. You may be surprised to see how many dollars are flying out of your wallet for nonessentials. For instance, Minda Allarde, a 30-year-old publicist in New York City, used to down five Frappuccino coffee drinks a week at Starbucks. By downsizing to one a week, she saves \$16 a week or \$832 a year.

Vanessa Richardson, 31, a Web editor in Mountain View, California, is hankering to go scuba diving in the Caribbean. As part of her savings strategy, she is borrowing books from the library rather than buying them and limiting magazine subscriptions. She spends a "magazine reading day" once a month at Barnes & Noble and buys in bulk at Costco instead of shopping at the corner gourmet deli.

Lisa Trevorow, 31, a diabetes-education consultant in the San Francisco Bay area, found that she and her finance' were wasting large sums on

cell-phone calls and dining out. Now they eat home more and have changed their calling habits—efforts that are helping them shovel about \$440 a month each into a wedding account.

2. Shave Some Dollars Off Big, Fixed Costs

Take a look at your ongoing housing expenses. Could you refinance your mortgage and pay a smaller monthly amount? If you're a renter, now might be a good time to look for a better deal. How about giving up call waiting or replacing voice mail with an inexpensive answering machine? Take a look at your cable-TV bill. Do you really need all those channels? Next, check out your utilities. Try lowering your thermostat a few degrees in the winter and running the air-conditioner less in the summer. For other energy-saving tips, visit www.energyguide.com, suggests certified financial planner Dee Lee, the author of *Let's Talk Money*.

3. Moonlight Your Way to More Income

If giving up frills proves too painful, you might find it easier to take on a second job. With the holidays around the corner, you may be able to pick up an evening or weekend position at a retailer, such as the Gap, Williams-Sonoma, or Barnes & Noble. What's more, you may get an employee discount that you can use when shopping for holiday gifts.

4. Unload The Unneeded

Rather than denying yourself some of life's little pleasures, see if you can't raise funds by selling off some of your junk. Lori George, a 33 year-old stay-at-home mom in Des Moines, Iowa, and her husband have sold scores of his childhood action figures, toys, and comics on eBay. "We've raised an average of \$1,000 a month that way," she says. Placing some items of clothing you don't use on consignment is another good way to clean out and clean up. Then there's the old standby—a garage sale. You'll end up with more money and more space.

Lock the Money Away

Now that you know how to get the cash, make doubly sure you won't touch it. How? Set up an automatic investment

plan, in which the funds are deducted from your paycheck each month and sent directly to a money-market account or a mutual fund. "People experience saving money as a loss," says Gary Belsky, coauthor of *Why Smart People Make Big Money Mistakes-and How to Correct Them*. "But with an automatic investment plan, you never register the loss in the first place."

As for where to put your cash, don't get stressed over it. "You don't have to investigate lots of investments," says Catherine Odelbo. Your best bet is to stash the money in a money-market account. Now close your eyes and let the money pile up. Before you know it, you'll be watching the paint dry on your new kitchen cabinets or jetting off to Paris.

Easy Ways to Cut Your Costs

Review your bills and the rates you're paying.

By changing companies, most people can get instant savings, on car insurance, mortgage rates, and long distance and wireless phone service. "We find that the typical person can save \$400 a year on long distance alone by switching to a cheaper service," says Matthew Coffin, CEO of LowerMyBills.com.

Make a list before you go shopping .

Whether it's school supplies or groceries, write down what you need. "Most people who don't have list tend to overbuy," says Coffin.

Dedicate yourself to eliminating late fees.

Credit-card companies have raised late fees to as much as \$30.

Check your credit report at least once a year.

According to Coffin, 80 percent of people have mistakes on their credit reports, which leads to higher credit-card and home-loan rates.

Pay off high-rate cards first.

Paying off the credit card that charges you the most interest first sounds like a no-brainer, but many people with multiple cards pay a little on each card every month regardless of the rate.

An Extra Tip

Giving up luxuries requires discipline. To make sure you don't succumb to temptation, paste a picture of your goal on top of your credit card.

Cheney, Karen. "Fast Cash."

Real Simple, October 2002: 125-127



Five Ways to Jumpstart Your Retirement Plan

1. Begin with the Fun Stuff

Pull out a sheet of paper and dream. What do you want to do in retirement? List the big things, like trips, but also think about how you'll want to live every day.

2. Set a Date

Make an appointment with yourself (and your spouse). Add up what you've saved so far. Then use an online retirement calculator to see what else you'll need. For example www.bankrate.com.

3. Don't Let the Numbers Get you Down

Most Americans have saved only a fraction of what they'll need for retirement, but it's not too late to start. Recent tax law changes have dramatically increased the amount people can put away.

4. Get Help

Think about talking to a financial professional. It may sound intimidating, but remember that these are people just like you who know more about managing money.

5. Start Small

Whether it's a pocketful of change every evening, or a garage sale twice a year, putting away little amounts can add up to a lot.



New Value in Old Policies

Clients can recover significant wealth that may be trapped in unneeded life insurance. Don't let your policy lapse or cash out until you talk to us!

Allowing unneeded policies to lapse can be a costly mistake. Financial Consultants can help both individual and corporate clients or employers sell the right to collect on these otherwise dormant assets in the after market.

Determining if selling a policy is a good idea is a relatively easy process for the accountant and potentially lucrative for the policyholder. The National Association of Insurance Commission estimates that in 1996 nearly \$1.5 trillion face amount of life insurance policies expired, lapsed or was cancelled by policyholders; each policy was a potential source of wealth had the owner sold it on the secondary market. Many types of insurance policies qualify for settlement, including term, whole, variable or universal life, any type of survivorship, adjustable life, joint first to die, group (if convertible) and retired lives reserve. The aftermarket for life insurance operates in two areas—viatical and lifetime settlements—each with different tax implications.

Viatical settlements involve the sale of a policy insuring the life of someone who is either terminally or chronically ill. Proceeds are free of federal income tax and state income tax in some states (such as New York and California) since they are considered a death benefit.

Lifetime settlements are for people without the health problems for viatical settlements but with a life expectancy of 15 years or less. According to current mortality tables, this means males age 70 or older and females age 74 or older. Sometimes the insured has simply outlived his or her family beneficiaries. Clients should also consider selling an unneeded life insurance policy when they can use the proceeds to:

- ◆ Liquefy an other wise dormant asset.
- ◆ Fund new, more cost-effective life insurance coverage.
- ◆ Create funds to make other investments.
- ◆ Fund an outright charitable gift or charitable trust.
- ◆ Make cash gifts to other family members. Corporations should consider selling unnecessary life insurance policies on employees' lives if:
 - ◆ The company has been sold to a third party and the policies' original purpose was to fund a buy/sell agreement on one partner's death.
 - ◆ The insured key person retires or is no longer involved in the business.
 - ◆ The policy is part of litigation among partners.
 - ◆ The company must sell assets to raise cash.
 - ◆ The policy was purchased to fund deferred compensation or other benefit programs that have now changed.

Businesses may also benefit from selling a policy in the secondary market to

- ◆ Purchase an interest in another enterprise.
- ◆ Facilitate an interest in another enterprise.
- ◆ Facilitate the transfer of a business to the next generation.
- ◆ Repay debt.
- ◆ Buy back stock from a partner or shareholder.

Tax Implications

To the individual policy sellers, lifetime settlements usually involve three layers of taxation:

- ◆ Zero tax—up to the owner's basis, since it is a return of capital.
- ◆ Ordinary income—from the basis to the policy's cash surrender value.
- ◆ Long-term capital gains—from the higher of either the cash surrender

value or the federal income tax basis to the net settlement proceeds, since this is a capital asset.

The New Value in Old Policies.
Journal of Accountancy : October 2001 / Volume 192, Number 4.

The bottom line is if you have an interest in a life insurance policy and wish to convert it to cash, contact us first to determine the best course of action.



Business Brokerage

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