

BRIAN SAUSER'S FINANCIAL NEWS DIGEST

A COMPILATION OF INFORMATION AND IDEAS FOR EFFECTIVE MONEY MANAGEMENT



Money line

What About Your Human Capital?

In this newsletter we consider a broad range of discussions on assets, income, cash flow and investment capital. But what are the implications of your *human* capital on your financial strategy?

Human capital, if you haven't heard, is the term being used to describe the value of your personal income-producing capability throughout your future working years. It is calculated as a net-present-value, and you may find that you are very likely the most valuable aspect of your financial planning.

If you are closing in on retirement and have amassed the lion's share of your financial assets, then your human capital will have less impact on your overall planning. If you still have 10, 15 or 20 years or more to generate income, it may have a much more significant impact.

Your human capital may be more secure, like a bond, as in the case of a tenured professor. Or it may be more aggressive, like a stock, as in the case of a commissioned sales person or a small business owner.

When considering your overall financial capital allocation between fixed assets and risky ones, it may be a good idea to consider weighting the risk of your human capital into the mix.

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Financial Front

NEWS BRIEFS AND HIGHLIGHTS FROM THE FINANCIAL WORLD

Scammers pretending to be from the IRS are sending e-mails designed to frighten recipients into clicking on phony links that allow the scammers to steal data. A criminal gang called Avalanche is sending messages warning that federal tax payments have been declined or that the number you entered on a tax form is incorrect. Clicking on the embedded links takes you to an innocent-seeming page that downloads a program to capture your user names, passwords, address book and other personal data. *What to do:* Delete any e-mail claiming to come from the IRS. If you accidentally open such an e-mail, delete it before clicking on any links it contains. The IRS does not communicate with taxpayers by e-mail—only by postal letter.

To stay safe when using PayPal, do not link your PayPal account to your bank account or debit card. If you do and a thief gets access to your PayPal account, he/she could wipe out your bank account. *Better:* Link your PayPal account to a credit card so that you can dispute a charge through PayPal and your card issuer if a problem arises. Avoid clicking on links in PayPal e-mails—the messages may be phony, and the links may steal data.

Checking accounts for teenagers are being offered by banks to youths as young as 13. Some banks provide online tools and educational material to help teens learn about managing money. A parent usually is co-owner of a teen checking account, with full access to it. *What to do:* Shop around for an account with minimal fees—and have your teen help as part of his/her financial education. View the teen's account regularly online. Because banks usually let parents

monitor the account, consider initially establishing withdrawal limits and increasing them as your teen shows financial responsibility.

Some hotels pay airlines' checked-baggage fees for their guests. In a bid to increase weekend and leisure travel, Holiday Inn, Staybridge Suites, Kimpton Hotels and other chains are paying checked-bag fees charged by airlines. Some chains require travelers to fill out forms for refunds...others ask for bag-fee receipts and then offer a credit on the hotel bill. Some restrictions apply. *Example:* Some hotels require you to pay with Visa.

High-deductible, low-cost health plans are becoming popular as consumers look for ways to save money. About 20 million people have plans with deductibles of at least \$1,000—triple the number who had them four years ago. But some people are trying to save more by avoiding preventive procedures such as blood tests and colonoscopies—jeopardizing their health and increasing the chance to more serious illness. *What to do:* Tie a high-deductible plan to a health savings account (HSA), which lets you set aside tax-deductible money for medical expenses. Use HSA funds to pay for preventive procedures and tests.

Wit & Wisdom

“Money is the opposite of the weather. Nobody talks about it, but everybody does something about it.”

— Rebecca Johnson

Is Now A Good Time To Consider Buying?

By Kathy Kristof

If you're into bottom-fishing, now may be the time to start trolling for real estate. At least that's the advice of Michael Corbett, author of "Before You Buy: The Homebuyer's Handbook for Today's Market."

"I'm pretty comfortable saying that five years from now, people are going to be saying, 'Damn, if I had just bought in 2011,'" said Corbett.

"Prices are bumping along the bottom and interest rates are really low," he said. "When you have those two together, you have the perfect buying opportunity."

Housing prices may not have hit rock bottom, Corbett acknowledged. But he thinks that people who wait to find the market's bottom are likely to miss out on the current low interest rates.

And rates can be every bit as important to the cost of a deal as price.

You might think you can snag a great deal by lying in wait — hoping that the owner of a \$500,000 listing will get desperate enough to accept \$450,000, for example. But if interest rates rise 1 percent during the time you wait, you'll end up shooting yourself in the foot.

Assuming you finance \$400,000 of the purchase price of that home, the 1-percent-age-point difference between a 5 percent mortgage and a 6 percent

mortgage will cost you more than \$90,000 over the life of a 30-year loan.

"It's hard to tell where the bottom of a market is, until prices start going up," said Diann Patton, a consumer real estate specialist with Coldwell Banker Real Estate. "But the stars are aligned

"It's hard to tell where the bottom of a market is, until prices start going up."

for buyers right now."

What's the best strategy for bargain hunters?

■ **Be wary of short sales.** Many buyers think they're going to get the best deals by rescuing underwater borrowers through a short sale, Corbett said. In a short sale, a home is sold for less than what's owed on the mortgage.

But in order for the short sale to go through, the lender holding the mortgage has to agree to the underwater price. Many are, understandably, reluctant to do so. Realtors say that getting the existing lender's approval adds another layer of complexity to an already complicated transaction. In some cases, such deals can take months to approve.

"There's just no standard because

every bank is different," Patton said. "I've seen short sales take anywhere from 30 days to eight or nine months."

Unless the existing lender has already said it's willing to accept a short-sale price that works for you, Corbett suggested you skip short sales entirely.

Foreclosures are another story, Patton said. Lenders who have seized a property are often more realistic about the value. In addition, they often fix up the homes before they list them, she said.

■ **Look for what the real estate industry calls "battered histories."**

That usually means one of three things: The home has been on the market for 90 days or more, the seller has cut the price numerous times or the home has had other offers that have fallen out of escrow.

Any of those factors could mean that the seller is getting anxious to get out and may be more willing to negotiate, Corbett said. That does not mean, however, that a low-ball offer is in order.

"The last thing you want to do when a homeowner already feels battered and beaten is insult them," he said. "If the house is appropriately priced, never make an offer that's more than 10 percent below the asking price. That's just insulting. The seller might not even counter back to you because they'd rather that somebody else got it."

■ **Get pre-qualified.** If you're going to need a loan to buy, make sure you've already discussed your finances with a lender and are pre-qualified.

When there are multiple offers, the bidder who presents the most secure and attractive deal is the one who typically gets the home. If you're the one buyer whose offer isn't contingent on qualifying for a loan, you have a better chance.



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More On The Fair Credit Billing Act

By Elliot Raphaelson

A few weeks ago I wrote about the Fair Credit Billing Act (FCBA), which can help consumers settle complaints against providers of goods and services under certain circumstances, the main one being that they paid for the good or service with a credit card. Readers wrote in with questions, many of which I answer below. I thank Carole Reynolds, senior attorney of the Federal Trade Commission (FTC), who has not only helped me answer questions pertaining to this act, but who also provided me with information regarding other relevant federal laws.

The FCBA distinguishes between billing errors and disputes about the quality of goods and services. I recommend that readers consult the FTC website specifically, www.ftc.gov/credit, to determine which provisions apply to their situation.

Q: *Do I have the same protection for disputes regarding quality of goods and services if I use a debit card rather than a credit card?*

A: The FCBA does not encompass the use of debit cards. Those fall under the purview of Federal Reserve Board Regulation E, which implements the Electronic Fund Transfer Act (EFTA). EFTA and Regulation E do not cover quality disputes; however, they do provide other protection for certain other types of disputes, such as unauthorized use, incorrect amounts, and omitted transfers. Credit and debit card companies such as Visa and MasterCard have developed their own procedures for payment cards, in addition to those required by law. To understand your rights with debit cards, you should read the fine print in your cardholder agreement. However, with a debit card you will have paid the whole amount for the product/service you purchased. Although the law does enable you to seek the return of those funds by disputing certain types of errors, if you had used the credit card you would have the right under the FCBA to withhold the amount of the transaction pending the eventual outcome.

Q: *If I make a purchase by phone or through the Internet, do I have the same rights under the FCBA?*

A: You have the same right to dispute billing errors if the purchase was by phone or Internet. However, disputes about quality problems are not considered billing errors, and quality disputes are

The FCBA distinguishes between billing errors and disputes about the quality of goods and services.

covered by different rules in the FCBA. For quality disputes, one requirement usually is that the dispute must have occurred in the same state as your current address or within 100 miles from that address. So some questions might arise about where the purchase was made by phone or Internet.

Q: *When I book a cruise, I must pay in full a few months before I take the cruise. How can I use the FCBA to protect me?*

A: Even though you cannot withhold any of the cost before you take the cruise, some provisions of the FCBA may still protect you—namely, provisions that are related to billing errors. In addition, certain state laws, agreements between the credit card issuer and the service provider, or other federal laws may apply. If you are dissatisfied, you should document your dispute via certified mail, return receipt requested, and send it to your credit card issuer. Always write to the address given for “billing inquiries.” You have nothing to lose.

Q: *Is there any way around the requirement that the service provider/seller be in my state or within 100 miles, or the requirement that the disputed charge be at least \$50?*

A: These requirements apply to quality disputes (and others in which you use the “claims and defenses” provisions of the FCBA); they do not apply to billing



error disputes. However, some credit card issuers waive these requirements. In addition, these requirements don't apply if the seller is also the card issuer — or if a special business relationship exists between the seller and the card issuer.

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On The Money



“So far I've got \$900 saved for my retirement plus 250,000 little packets of sugar, ketchup and crackers.”

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Senior Issues

Our Aging World, And How It Drives U.S. Economy

Mark Miller

In 2005, there were 270,000 people over age 100 in the world — a figure the United Nations expects will explode to 2.3 million by 2040 due to gains in nutrition, health and healthcare.

The topic of aging in America often prompts discussion and worry about how we'll manage to manage our graying country. Author Ted Fishman puts those questions into a broader context in his new book, "Shock of Gray" (Scribner, 2010).

"It's a wonderful circumstance overall, since we get to live longer, but we have to adjust to a reality humankind has never faced before," he says. "Americans who reach age 60 have a pretty good chance of getting to 95. Our aging country faces a swelling number of dependent elders at the upper reaches of the lifespan.

"Just as it will be more common for people in their late 60s and 70s to work, it will also be common for those older workers to have living parents to tend to."

"With an aging workforce, employers find ways to make their workforce more flexible in ways that avoid the age-related costs," he explains.

For Americans closing in on retirement, Fishman sees major implications in two areas: caregiving and job loss at midlife.

"If you're already retired, you may have children entering their 50s where their employment is newly imperiled. So if you were counting on help from them, you might get more time from them but less money! I think the environment will push more family members who are available into the caregiving role.

"And for workers at mid-career, it's the flip of that: You have to try to ensure that your labor isn't devalued. You need to make sure that you have a good inventory of skills and a strong social network before you find yourself in an employment crisis."

The best way to avoid that crisis, Fishman argues, is to focus on developing differentiated skills. "We have a large group of workers who haven't kept their skills current," he says. "You might be a great machinist in your type of factory, but your factory may have a great outsourcing strategy. So you need a more generalizable skill."

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