

NEWS

FOR IMMEDIATE RELEASE
February 28, 2008

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What to Do with Your Tax Rebate or Other “Found Money”

*Thirteen Smart Ideas from “Dummies” author
Sheryl Garrett and the Garrett Planning Network*

(Shawnee Mission, Kansas) February 28, 2008 – After concluding their tax preparation activities, many people will see that they are entitled to a rebate from Uncle Sam. “Whether your rebate is large or small, you are wise to determine now what you will do when that check arrives,” says Sheryl Garrett, CFP®, author of *Personal Finance Workbook For Dummies®* (Wiley, November 2007) and founder of the Garrett Planning Network (www.GarrettPlanningNetwork.com). “Don’t fritter it away or spend it on a whim.”

On a recent teleconference, network members brainstormed thirteen ways taxpayers can put this “found money” to work:

1. Put the entire amount toward funding your 2008 IRA contribution. You may contribute up to \$5000 for an individual in 2008 (unless you are age 50+ then the maximum is \$6000) into a Roth IRA assuming your income falls below the government thresholds (the phase out for singles in 2008 is \$101,000-116,000; for married couples, the phase out is \$159,000-\$169,000). If you anticipate that your earned income for 2008 will be higher than the phase out thresholds, put your “found money” into another qualified retirement plan such as a 401(k) or 403(b) plan, if your employer offers one, (you can’t actually contribute your rebate check directly into your employer sponsored retirement plan; however, you can deposit the rebate check into your checking account and increase your payroll withholding for that month by the same dollar amount.) or contribute to a traditional IRA if your income exceeds the Roth IRA thresholds.
2. Give the money to charity and claim that amount as a tax deduction on your 2008 tax return, if you itemize using Schedule A of Form 1040.

3. Sign up with www.kiva.org and provide micro-loans to budding entrepreneurs in third-world countries. If you're feeling especially patriotic, you might consider investing in small business start-ups in the US, for instance: helping a relative by providing seed money for a local venture.
4. Start a tax-sheltered 529 college savings plan to fund your own or children's/grandchildren's educations. Consider funding a Coverdell Education Savings Account (ESA) if you plan on paying private school tuitions through secondary school (Coverdell phase outs in 2008: Single- \$95,000-\$110,000; Married Filing Jointly - \$190,000-\$220,000).
5. Check that you have adequate insurance coverage on the following types of policies: property and casualty, life insurance, health insurance, long-term care and disability insurance. Use the tax rebate money to help pay the premiums.
6. Use the rebate money to engage the services of an estate planning attorney. If you don't have a will then have one drawn up. Without a will issues such as child guardianship and disbursements of assets will not be decided by you, but rather the laws of your state. For many families, additional estate planning documents are also needed.
7. Use the money to purchase stock mutual funds at current prices. Some mutual fund companies offer lower initial purchase amounts, especially for IRA's, or even lower if automatic transfers are made from your bank account or paycheck. While the market has been gyrating wildly, it is likely a great time to invest. If you have cash sitting on the sidelines, you may miss the next market upswing. Time in the market matters more than trying to time when to get into the market. If you are investing for the long-term, you can't afford not to be invested in stocks. Remember the old adage, "buy low and sell high." Stock prices are low right now. Consider international as well as domestic opportunities.
8. If you have credit card debt, pay off as much as possible. For free credit reports go to www.annualcreditreport.com. Use part of the money to obtain your credit score from www.FICO.com (the rating that shows how credit-worthy you are). Correct any incorrect items on your credit report and work to keep your report clean and your credit score strong. Make your payments on time and don't take on more debt than you should. Try to live below your means. Get help at www.Credit.com or your local Consumer Credit Counseling Services center.
9. Mortgage interest rates are the lowest we've seen in a long time. If you have a good credit score, now might be a good time to refinance your first mortgage and/or to wrap your Home Equity Line of Credit (HELOC) debt or second mortgage into a more attractive home loan. If you have a variable rate loan and plan to stay in your current house for awhile you probably want to lock in a fixed rate mortgage now. Use your "found money" to help pay refinancing costs.
10. During economic slowdowns, including a recession, job losses and/or business declines are inevitable. Take a course, add to your credentials and consider how you can improve your skill set to make yourself as attractive as possible in the marketplace.

11. Schedule your annual check ups with your doctor and your dentist. Use the tax rebate money to pay the deductible and co-payments. Join the YMCA or the local health club, consult with a nutritionist, or buy a piece of exercise equipment (and be sure to use it!). Without your health, wealth is not important.
12. Schedule a financial check up for yourself. Annual trips to the dentist, the doctor – and your financial planner – are wise investments. A professional financial advisor can help you answer questions such as: Are you doing the right things? Are you appropriately insured? and Would a Roth IRA or 401(k) be right for you?
13. Purchase a gift certificate, for a set amount of professional financial advice, for a loved one. If you can't afford or don't want to pay for a complete financial plan, find a financial planner who works by the hour and will render as much help and advice in the time allotted by visiting www.GarrettPlanningNetwork.com.

About The Garrett Planning Network, Inc.

What: An international network of independent professionals who offer financial planning and advice on an hourly-as-needed basis. No commissions or third-party compensation is allowed. Now anyone regardless of income or net worth can hire an objective advisor to help them make better financial decisions.

Network Founder: Sheryl Garrett, CFP® -- author of several financial planning and investment books including her latest, *Personal Finance Workbook For Dummies®* (Wiley, November 2007). Profiled in hundreds of national publications including: *Wall Street Journal*, *New York Times*, *Kiplinger Personal Finance*, *MONEY* magazine and multiple times on the TODAY show, Bloomberg TV and Fox News affiliated stations. Recipient of numerous industry awards. Named four times to *Investment Advisor* magazine's annual list of the "Top 25 Most Influential People in Financial Planning."

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Year Founded: 2000

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Membership Guidelines: Members pay an annual licensing fee in exchange for network training, support and participation. Members also must be CERTIFIED FINANCIAL PLANNER™ professionals or actively working toward that status, independently registered in the state in which they practice or with the U.S. Securities and Exchange Commission, and adhere to a strict code of conduct, ethics and compensation.

Number of Members: Approximately 300 across the United States and overseas.

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