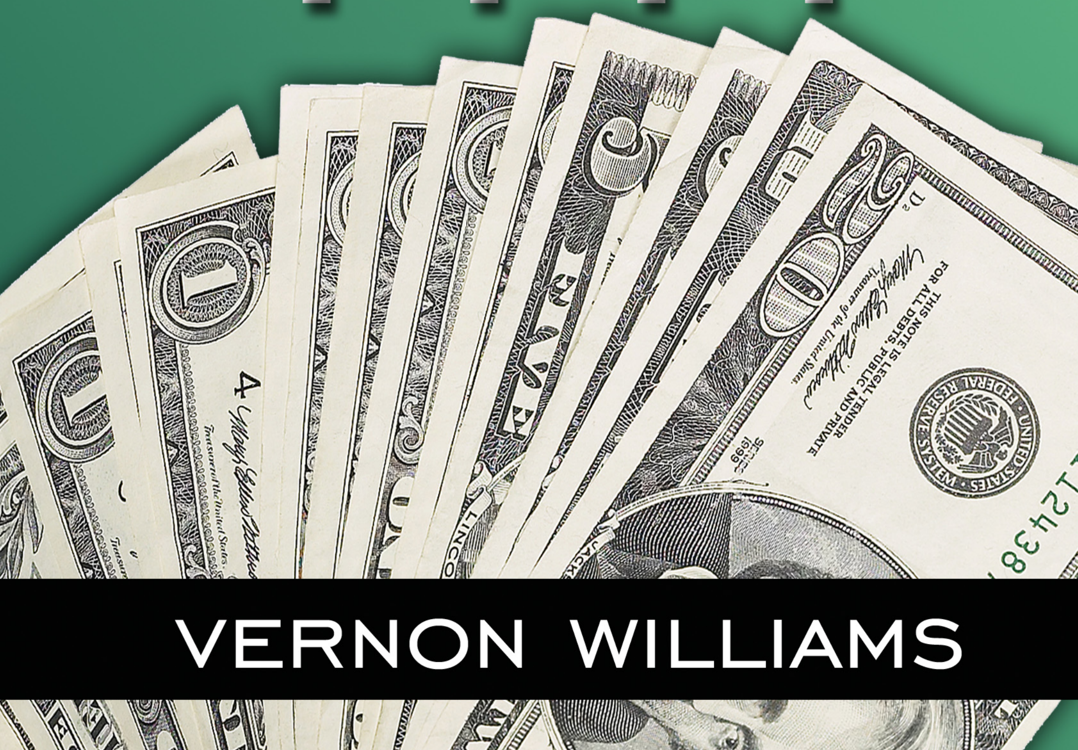
425 WAYS TO STRETCH YOUR $$$$



VERNON WILLIAMS

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2 Ways to Give Yourself a Pay Raise

It is easy to figure the cost of living. Just take your income and add 10 percent.

—Creative Wit

Follow these tips to give yourself a pay raise:

1. Increase your withholding allowances.

Intaxication: Euphoria at getting an IRS refund, which lasts until you realize that it was your money to start with.

—Washington Post word contest

Could you use an extra $190 each month? According to the Internal Revenue Service (IRS), the average 2006 tax refund was $2,287. That means many workers could have had an additional $190 ($2,287 divided by 12) each month. They could have invested it to generate income, used it to pay off debts or meet expenses. Instead, they made an interest-free loan to the federal government. Increasing your withholding allowances enables you to avoid that. Go to www.irs.gov and click on "Individuals," and on "IRS Withholding Calculator." Answer some questions based on your recent pay stubs. The calculator estimates your tax bill and recommends the number of allowances to claim. Download, complete and deliver a new W-4 form to your human resources office.

2. Contribute to a 401(k) plan.

This is the equivalent of a triple play in baseball because:

a. Most employers will match your contributions dollar-for-dollar within limits. For example, a match formula might be 100 percent up to 10 percent of your contribution. This means that, if you save 10 percent of your salary, your employer will match it with a 10 percent contribution. That amounts to a **10 percent pay increase**.

b. Since you are saving pretax dollars, it reduces your **current tax liability**.

c. The money earns simple and compound interest, which is not taxed until you withdraw it. Ideally, this is after you retire and have moved to a lower tax bracket. This reduces your **future tax liability**.

This is a fantastic deal! Yet, according to www.pensiononline.com, 12.5 million eligible employees are not participating in a 401(k) Plan. Even if you cannot contribute the full amount for which you are eligible, contribute as much as you can to get your employer's matching contribution.

The contribution limit is $15,500. If you are 50 or older, contribute even more through a "Catch up" provision.

Calculate your savings at www.why401k.com/kcheck.asp.

23 Ways to Cut Your Taxes

I am proud to be paying taxes in the United States. The only thing is—I could be just as proud for half the money.

—Arthur Godfrey

You may not cut your tax bill in half, but these tips will help you reduce it:

1. Understand commonly used terms.

Adjusted Gross Income (AGI) — All of your income (wages, interest, dividends, etc.), minus items like contributions to a qualified Individual Retirement Account (IRA), some business expenses, moving expenses and alimony payments. AGI is the first step in calculating your final tax bill.

Allowance — A number that tells your employer how much tax to withhold from your paycheck each pay period to meet your tax obligation.

Credit — Like a grocery store coupon, a credit reduces your tax liability dollar for dollar.

Deduction — Expenses you subtract from your taxable income. Having taken your allowed deductions, use the appropriate tax table to see how much you owe. Let us say your taxable income is $40,000 and your deductions total $15,000. Look at the tax table to see how much you owe on $25,000.

Exemption — A deduction the IRS allows to help you arrive at a lower taxable income. You may claim an exemption for yourself, your spouse and your dependents. Subtract this amount from your AGI to help determine your final tax bill.

Federal Insurance Contributions Act (FICA) —A payroll (or employment) tax imposed on both employees and employers to fund Social Security and Medicare.

Itemized Deductions — Expenses such as medical costs, state/local property taxes, mortgage interest, gifts to charity, casualty and theft losses that you can deduct from your AGI to help determine your final tax bill.

Progressive Taxation — The system by which higher tax rates are applied as one's income increases.

Standard Deduction — A fixed dollar amount that is determined by one's filing status, e.g. single, married, head of household, etc. This eliminates the need for many taxpayers to itemize deductions.

Taxable Income — Your overall income minus any allowable deductions, adjustments or exemptions. This determines your final tax bill.

Withholding — Also known as pay-as-you-earn taxation, the method by which taxes are taken out of your wages and placed into an IRS account before you receive your paycheck. You are credited with this amount when you file your return.

2. Deduct student loan interest.

If you paid interest on a student loan, you may be able to claim a deduction.

For further information, see IRS Publication 970 — Tax Benefits for Education.

3. Deduct qualified medical expenses.

If your medical expenses (drugs, smoking-cessation programs, exercise and weight-reduction programs and travel expenses to your doctor's office, etc.) exceed 7.5 percent of your AGI, you may be able to deduct them.

For a complete list of deductible expenses, see IRS Publication 502 — Medical and Dental Expenses.

4. Give to charity.

There's no reason to be the richest man in the cemetery.

—Colonel Sanders

Receive a tax deduction, help your favorite charity and clean out your garage and attic at the same time. Deduct donations to IRS–approved charitable, religious, educational and other philanthropic organizations.

For further information, see IRS Publication 526 — Charitable Contributions.

5. Volunteer.

If you were not reimbursed for expenses incurred while doing voluntary work, you may be able to claim charitable deductions. They may include .14 cents per mile for commuting to and from the charitable organization's location and meals and lodging.

For further information, see IRS Publication 526 — Charitable Contributions.

6. Prepay your mortgage payment.

Make your January payment before December 31st and deduct the interest in the current year.

For further information, see IRS Publication 936 — Home Mortgage Interest Deduction.

7. Deduct mortgage interest.

This is potentially your largest single tax savings. According to the IRS, the 2003 average mortgage interest deduction per tax return was $14,374.

For further information, see IRS Publication 936 — Home Mortgage Interest Deduction.

8. Deduct miscellaneous expenses.

If your miscellaneous expenses exceed 2 percent of your AGI, you may be able to deduct them. Examples are:

- Union dues
- Tax preparation fees
- Work uniforms
- Expenses incurred while looking for a new job
- Continuing education expenses
- Fees for safe-deposit boxes that hold investments
- Subscriptions to professional journals
- Points paid to get a mortgage

This list is not all-inclusive and obviously does not apply to all taxpayers.

For further information, see IRS Publication 529 — Miscellaneous Deductions.

9. Deduct points.

If you paid points to get a mortgage, you may be able to claim a tax deduction. Generally, you can deduct a percentage of the points each year over the life of the loan.

For further information, see IRS Publication 936 — Home Mortgage Interest Deduction.

10. Open a Flexible Spending Account.

Some employers offer health care spending accounts. One of the most popular is a Flexible Spending Account (FSA). You pay for some out-of-pocket costs (dental, vision and over-the-counter drugs, etc.) in pre-tax dollars. At the beginning of the year, decide how much you want to set aside to cover these costs for the year. Let us say you decide to set aside $2,400. Your employer would deduct $200 from your paycheck each month, before taxes, and deposit it into your FSA. Your spouse can do the same thing at his/her workplace. Plan your expenses conservatively, because you lose any unused money in your account.

For further information, see IRS Publication 502 — Medical and Dental Expenses.

11. Deduct home-equity loan interest.

If you took out a home-equity loan, you may be able to deduct the interest.

For further information, see IRS Publication 936 — Home Mortgage Interest Deduction.

12. Claim a first-time homeowner credit.

To encourage home ownership, the IRS offers a tax credit to first-time homeowners.

For further information, see IRS Publication 530 — Tax Information for First-Time Homeowners.

13. Claim a child tax credit.

You may be able to claim a credit for each qualifying child below age 17.

For further information, see IRS Publication 501 — Exemptions, Standard Deductions and Filing Information.

14. Claim a child care credit.

If you hire someone to take care of your child, you may be able to claim a credit.

For more information, see IRS Publication 503 — Child and Dependent Care Expenses.

15. Claim an adoption credit.

You may be eligible for a credit if you adopted a child.

For further information, see IRS Tax Topic 607 — Adoption Credit.

16. Go back to school.

You may be able to deduct work–related educational expenses paid during the year as an itemized deduction on Form 1040, Schedule A. To be deductible, your expenses must be for education that maintains or improves your job performance or serves the purpose of your employer and is required by the employer or by law to keep your salary, status or job.

For further information, see IRS Tax Topic 513 — Education Expenses.

17. Take advantage of TRIP.

The Transportation Reimbursement Incentive Plan (TRIP) allows employees to receive tax-free, cash reimbursements for work-related parking and commuting expenses. Sign an election form allowing your employer to make payroll deductions equal to your parking and commuting expenses. As you incur the expenses, submit a reimbursement request, along with the necessary documentation. The monthly limit is $190 for parking and $100 for vanpooling or transit expenses.

Check with your human resources department so see if your company offers TRIP.

18. File your tax return as head of household.

If single but maintaining a household for over half the year for a child, grandchild or other dependent relative, you may be able to file your return as head of household. It has lower tax rates and a higher standard deduction than if you file as single.

For further information, see IRS Publication 501 — Exemptions, Standard Deduction and Filing Information.

19. Start a home-based business.

Every North American taxpayer who works a full-time job and does not have a side business is probably overpaying taxes to the tune of between $3,000 and $9,000 every year.

—Sandy Botkin, Former IRS Tax Attorney

With a home-based business, you get to use a portion of your home for business and deduct a portion of expenses you would have anyway. Some examples are insurance, utilities, services and repairs. You can also depreciate a part of your home as a business asset.

To get further information, see IRS Publications 587 — Business Use of Home.

20. Hire your kids.

If you are a sole proprietor or have a husband-and-wife partnership, you may be able to hire your age 18 and under kids. The advantages are:

- A deduction for their salary, which is allowance money you probably would have given them anyway.

- Since they are under 18, you may avoid the employer share of Federal Insurance Contributions Act (FICA) taxes on their salary.

For further information, see IRS Publication 535 — Business Expenses.

21. Deduct health insurance premiums.

If you are self-employed, you may be able to deduct your health insurance premium.

For further information, see IRS Publication 535 — Business Expenses.

22. Open an Individual Retirement Account (IRA).

This personal savings plan allows you to set aside money for retirement and receive tax advantages at the same time. You may be able to deduct some or all of your contributions. Amounts in your IRA, including earnings, generally are not taxed until you withdraw them.

For further information, see IRS publication 590 – Individual Retirement Arrangements.

23. Contribute to a 401(k) Plan.

This tax-qualified deferred compensation plan enables you to have your employer contribute a portion of your pre-tax wages. These deferred wages, called elective deferrals, are not subject to income tax withholding at the time of deferral. In addition, the wages are not reflected on the Form 1040, since they were not included in your Form W-2 wages. However, they are included as wages subject to Social Security, Medicare, and federal unemployment taxes.

For further information, see IRS publication 525 – Taxable and Nontaxable Income.

Inside:

- Give yourself a pay raise
- Cut your personal income tax obligation
- Eliminate $1800 in credit card debt
- Find free money for college
- Save for a worry-free retirement
- Reduce the cost of auto, life and homeowner insurance
- Eat nutritious meals while cutting your grocery bill in half

These are just some of the practical, money-saving tips you will discover in *425 Ways to Stretch Your $$$$*. Written in an easy-to-understand style, the book shows you easy-to-implement strategies that are guaranteed to help you maintain (or even improve) your standard of living while drastically cutting costs.

Here's what people are saying:

"The well-researched tips in Mr. Williams' book are both practical and easy to implement. I will be sharing this information with my clients."

-Jason Nottingham
Certified Financial Planner

"My husband and I recently bought a new Jeep. By using the techniques in this book, we saved $4,000 on our purchase."

-Bessie Washington

"If there were a chapter on saving money by not buying this book, I'd recommend skipping it. This book is jam-packed with great ideas on pinching those pennies!"

-Judy Pressnor

"As a single mom, one of my biggest concerns was how to pay for my son's college education. Thanks to some of the ideas from *425 Ways to Stretch Your $$$$*, I was able to not only lower the overall cost of college, but to find scholarship money even though my son waited until the last minute to apply."

-Sharon Maloney

"Written in straightforward, easy-to-follow prose, the book is crammed with tips to help people free up money."

-Howard County Times

Vernon Williams began his career as a financial educator in 1986 when he conducted his first budget workshop. Since then, he has done one-on-one counseling and he has conducted hundreds of workshops to help working-class people free up money.

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