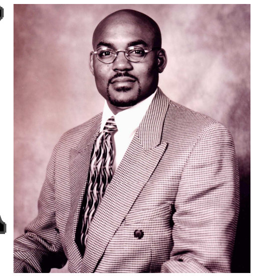
January 2001

WRIGHT TOTAL TAX

Innovating Financial Techniques for the New Millennium



Easy Debt Reduction Strategy

What do you typically do with your spare change after you purchase lunch? Or that impulse item that you grabbed right at check out? Here is an easy idea for using that spare change to eliminate some of your debt. Save all your spare change from purchases and after you have $25-$50, use it to help pay down debt!

The key is to always pay for your purchases in dollar bills and keep the change in your pocket. You will be amazed at how quickly this money adds up by the end of the month. You can even take an additional dollar out of your spending money each day to put towards debt repayment. You will increase your extra debt payments to $40 to $70.

This application also works well with car loan repayments or finding extra money to put into your emergency fund or invest in your retirement plan.

Inside this issue:

Got Debt?

Many people offer simplistic advice about getting out of debt — just pay off your bills! I am sure that I am not alone in wishing it was that simple! We all know that getting into debt is the easy part; getting out is the doozie!
Oh sure, we get into debt innocently enough — by design (to buy a new house or car or fund a college education); by accident (the transmission in the car fell out, the roof on the house fell in); or by mismanagement of our finances (because we live beyond our means or just can't resist taking advantage of every cent of available credit). However, we often stay in debt because we're not sure how to get out...or even if we really want to. As a result, some people have been carrying around thousands of dollars of credit card debt for years — paying hundreds of dollars in interest each year — because it seems too difficult to pay it off, put away the plastic and start using cash. Because we are in an immediate gratification society, we often don't think of waiting (saving) for what we want.

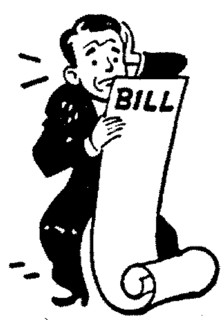
Additionally, it's never been easier to get into debt, with the boom in special offer credit card deals arriving every day in the mail.

So, if your debt load keeps climbing, you're not alone. Personal consumer debt in this country topped $1.33 trillion in 1998, according to the Federal Reserve. Debt is up more than $120 billion in two years.
Check this out:

Average credit card balances grew to $7,564 per American household with at least one credit card, compared to an average balance of $2,985 in 1990.

American households pay an average of 13.5% of their disposable personal income to debt repayment, a figure that has remained fairly constant since 1985.

Nonetheless, the bottom line is that we live in debt only because we choose to do so.



The Solution:
Whether your debt load is $1,000 or $100,000, you can bring it down to zero. Here are the steps to help make it happen:

1. Pinpoint your position. Excluding mortgage, determine exactly how much you owe...and how much discretionary income you have to begin whittling away at your debt load.

2. Map out your debt-elimination game plan … (include a Zero Debt Day to celebrate your freedom from debt.) Base your plan on three factors: time, discretionary dollars and total debt.
Example: If you owe $6,000 and can allocate $300 a month exclusively to debt reduction, you can be debt free in approximately two years in many cases, depending on the amount of interest you owe.

3. Stop adding new debt. Typically, we tend to pay off one bill, but pick up new debt in the process. Put away the credit cards and institute a cash-and-carry policy in your house.

4. Don't be too easy on yourself. Be willing to do what it takes to get out

HAPPY NEW YEAR!

PLACING BAD BETS

Never has so much money been in the wrong place at the wrong time.
Americans poured a record amount of cash into the stock market this year, only to watch it disappear as prices collapsed.
In the first nine months, investors put $263.6 billion into long-term U.S. mutual funds, much more than the $170.6 billion invested in all of 1999, according to **Lipper**, the mutual-funds data company.

About 93 percent of that money -- $244 billion -- went into stocks, with technology and Internet companies taking the largest slice. Only $19.3 billion, a modest 7 percent, found its way into bond or money-market funds, which would have offered a way to preserve capital as the market nose-dived in March and April.

Think Right
Toward People

Got Debt?

of debt ASAP. Maybe you simply cannot afford to go see both sets of grandparents this summer and winter. Allocate that extra money to reduce debt.

Consider this: If you budget $200 a month for debt reduction, when you're finally free and clear you'll have that much cash, every month, for lifestyle enhancement later.

5. At the same time, don't live off of a peanut butter and water diet! If you make yourself miserable, your plan will fail. Consider splitting discretionary cash in half — part for debt elimination; part for living (and playing) expenses.

6. Bite the bullet together if you're married. Getting out of debt requires a sacrifice, one which will affect all members of your household. Enlist your partner's support... or risk defeat.

7. Gradually build up a cash cushion for emergencies and regular expenditures. This allows you to pay cash in the future, while actually earning interest rather than paying it.

These techniques are not all that easy to follow. It takes a determined commitment and a strong dose of self-discipline. Still, it's well worth the effort to become debt-free because it puts you in control of your financial destiny, reduces money worries and, in the long run, leads to a better, more stable standard of living.

REMEMBER:

<u>Fear is the greatest single obstacle to Success.</u>

Year End Tax Savings Tips

Shaving down your tax bill requires two things: time and money. The biggest tax savings tips come to those who plan ahead and implement a few of these tips into their financial plan.
Here are a few tips that you might be able to use:

-- Maximize your contributions to tax-deferred savings plans, such as 401(k) plans or Individual Retirement Accounts. By doing so, you will lower your taxable income while putting aside money for retirement. Tax law generally lets people set aside up to $10,500 of their salary into their 401(k).

-- Deferring or lowering income. Lower your taxable income by giving money to your kids. Individuals can give up to $10,000 a year in cash or property without being subject to the gift tax. This may enable you to shift some of your income-producing assets to your children who are in lower tax brackets. Warning: children under age 14 may be covered by "kiddie tax" rates.
Upper middle class people might want to lower their income to qualify for tax breaks. Deferring income through their employer sponsored retirement plan might make the difference between qualifying for some of the credits available at tax time.

Self-employed people generally have more control over their income. For example, they can bill clients a little more slowly at the end of the year to defer income into the following year.

-- Take out a second mortgage and transfer over personal loans, such as credit card debt and auto loans. This would permit you, under certain situations, to deduct the interest, which isn't otherwise allowed on personal loans. There's a serious downside to this strategy: if you default on the second mortgage, the bank gets your house.

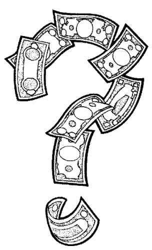
-- Odds-and-ends deductions. You can deduct accounting fees, IRS audit expenses and costs of software to prepare your taxes. Labor union dues also are deductible. If tools or uniforms are required at work, consider buying extras if you need to cross the threshold of having miscellaneous deductions total 2 percent of your taxable income. I have found that reaching that 2 percent floor is quite difficult.

Depending on your situation you may be able to deduct certain medical expenses if they exceed 7.5 percent of your adjusted gross income. There are four general categories for qualified deductions: bills for prevention, diagnosis or treatment of illnesses; costs for devices such as artificial limbs, etc.; transportation related to medical care; health insurance costs. Unfortunately, Uncle Sam won't let you deduct such things as the cost of bottled water, ear piercing, or babysitters so you can make a doctor's appointment.

<u>Remember</u>
<u>We Are Here For YOU!</u>

Health Insurance Help

Selecting a health care plan can be a confusing and frustrating process. Just learning the acronyms and benefits of each plan can take months.
Many consumers are unaware of the particulars in their plan until a health care crisis has occurred. But such an extreme test should not be the measuring stick, and selecting a health care plan shouldn't be life threatening. Many people choose their plan in the last few months of the year when companies often require workers to select a health care plan before the start of a new year. Here is a little information that can ease the anxiety and assist you in deciding whether an HMO (health maintenance organization), or a PPO (preferred provider organization), is the best choice for you and your family.



First determine your health care needs. Your family's medical history and frequency are major factors. It's also important to consider practical things like location of hospitals, physicians, disease prevention programs and exactly what is covered under the plan.

After determining your needs, you can start collecting information about each plan offered in your area or by your employer. Information on available plans can usually be found in your company's human resources department. The department keep a variety of health plan physician books, lists of hospitals and lengthy descriptions of what medical services are covered and what copayments or deductibles are expected.

Another good way to gather information is by using the Internet. Most health plans have Web sites that provide information about their network of physicians and hospitals and a list of covered medical services. Also ask your coworkers and friends about which plan they are in and if they are satisfied or dissatisfied with a particular health plan.

Another helpful source is a health plan's member handbook. It often contains answers to frequently asked questions.

What is managed care?
Managed care, a phrase that refers to both HMOs and PPOs, require members to select a primary care physician, who not only treats patients but refers them to specialists. All managed care plans require you and/or your employer to pay a monthly premium. Your employer can pay the entire premium or pass on some of the cost to the employee.

Managed care health plans have been criticized by patients and physicians for being too eager to deny medical services to members in an effort to save money.
Across the country lawsuits have been filed against managed care companies and in an effort to reduce consumer complaints, laws went into effect this year to hold the organizations more accountable if they unfairly deny medical services.

Understanding HMOs
Health maintenance organizations, better known as HMOs, are insurance plans that offer medical services within a specific network. The network includes hospitals, physicians and other health care professionals. Members' medical expenses are usually covered only when they use hospitals, physicians and other services within the network.
Usually, you must have a primary care physician, or PCP. It's the PCP's responsibility to provide most of your medical care and refer you to specialists when needed. Often patients must foot the bill if they see a specialist without a referral from a primary care physician.

Some HMOs offer a point-of-service, or POS plan, which allows members to receive a select percentage of coverage if they opt to visit a specialist outside a health plan network without a primary care physician's permission.
HMOs provide preventive care as a way to cut overall health care costs. Copayments, typically $5 to $15 per physician visit, might be required. There also could be a copayment of $3 to $10 per prescription.

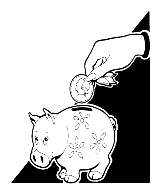
Understanding PPOs
Preferred provider organizations are another type of managed care plan. They are known as PPOs.
These plans are similar to HMOs, but PPOs allow members to receive a select percentage of coverage if they visit a physician outside a plan's network of physicians. Visits to physicians within a network often are fully covered. PPOs have contracts with hospitals, doctors and other providers to accept lower fees than usual for services. PPOs usually cover preventative care. Sometimes there is a small copayment for seeing a physician within a network for preventive care.

Overall, with a little bit of research, you can choose the plan that best fits your family's medical needs and budget. If you have any questions or would like a health plan consultation, feel free to call us!

Ask Mr. Wright

Q. I just received an insurance settlement and would like to pay off some debt. Is that the best thing?

A. As a financial advisor, I try to use money in the way it is best suited for any particular person. Depending on the amount of your debt, the type of debt, your income, the amount you have in savings and lifestyle you can do a number of things. The very first thing to do (if you don't already do this) is to create a budget. This will allow you to see where you need your money to go versus where it actually goes. Next, I have found that most people get into debt because they have nothing in savings. So the next move I recommend is to put a significant amount into a Money Market account. This can offer security and provide a way to fund any situation that might arise; thus keeping you from incurring any additional debt. Secondly, because you don't want to miss the power of compounding interest, a lump sum of money (i.e., $2000 into a Roth IRA), can fund your retirement account even if you make no additional contributions. After these two things are done, you can create a plan to get out of debt. But remember - you didn't get into debt overnight, so you aren't going to get out of debt overnight either! With this in mind you can fight the impatience often associated with lump sum debt payoffs that so often lead you back into debt. Good Luck!



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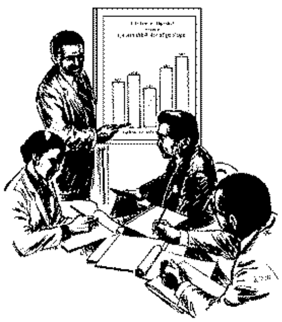
Educate, Empower, Enjoy!



Bigger and Better!

In staying with its vision of providing full financial services to its clients, Wright Total Tax is glad to announce its recent merger with Con$ortium Finance. The Con$ortium Finance Corporation mission of "Educate, Empower, Enjoy," affords you resources to achieve your financial dreams.

This progressive financial services company headed by Mr. Benjamin Hack, offers a full array of financial products - mutual funds, stocks, insurances, accounting services, tax preparation as well as personal finance services such as budgeting and credit counseling. All with the same expert tax preparation and financial advice that Wright Total Tax provided.

I thank you for your trust, loyalty and continued support. As an Executive Board Member, I guarantee that you will continue to receive the integrity, professionalism and expertise that you have always received from Wright Total Tax.

If you have any questions or concerns, you can contact Benjamin at (910) 426-1164 or me at ISavUDoe@aol.com.

Upcoming Seminar! Stay Tuned!

Catch the FAIRy!!

All financial plans begin with just that – a plan. Your plan should be a customized assessment of where you are currently, what you want to achieve financially and what steps you must take to achieve those goals.

Con$ortium Finance offers such a plan - we call it your Financial Assessment Individual Report (FAIRy for short).

This plan is designed to assist you achieve your financial goals by using the most advanced techniques to save, invest and become debt free. So if you feel like your money is constantly leaving you behind, call us and we will help you aboard the ferry to catch it!

Letter From the Editor:

Dear Clients:

I love each and every one of you and keep you in my prayers daily. I truly thank you for your trust and the privilege of serving you. Without you, I would not be who I am today.

As you might already know, I have expanded the practice and entrusted Mr. Benjamin Hack with serving you. I can (and will) tell you that not only is Mr. Hack knowledgeable and patient, but your financial success is his sole goal. Full of integrity and creativity, Benjamin (he hates to be called "Ben"), is available to each of you for whatever financial situation you have. And as an executive board member, so am I. So whatever you do, know that Con$ortium Finance is "Here For You!"

Israel C. Wright, AAMS

THOUGHT OF THE DAY

The company we keep is prophetic of our destiny.