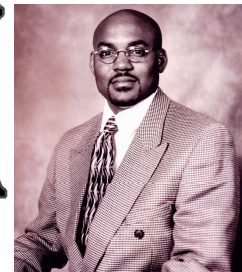




January 2002

# WRIGHT TOTAL TAX

A Constituent of Consortium Finance



Innovating Financial Techniques for the New Millennium

## What You Need To Do

### Stay True to Your Goals

To reach any destination, a path of direction must be chosen. This principle applies generally in everything that we do. But for some reason, it is sorely forgotten when it comes to financial objectives. Many times, we just "take what we can get" when it comes to our financial situation and we wonder why what we have isn't what we want! To achieve our financial goals, we must

- Identify where we are
- Decide where we want to be
- Develop a plan and path to get there
- Get to Steppin'!
- Go back to step one and repeat

This is the only technique that will insure you reach your goals.

Oh. And one more thing....

*Be Patient!!*

One thing that really catches my attention is when someone tells me what I "need to do." And most of the time it doesn't catch my attention in a positive way; as soon as I hear that, I immediately tune that person out. After all, what does he/she know about me? About my life? Who are they to tell me what I "need to do"? But guess what? I've learned that that phrase can be an attention getter in a positive sense when it comes from someone whom I trust, who has experience and knowledge in that area and who is looking out for my welfare.

So here I am telling all of you "what you need to do" in regards to your finances for the new year.

- Find out what you have

Many of us have different accounts. These accounts may be savings, investments, insurance, savings bonds or any other number of financial programs. Find the most recent documentation of all of them and take the time to review them. See if they really benefit you. Check your financial program as a

whole and determine if each account fulfills the intended need. Check them all in coordination with each other and see if they overlap or leave a gap in your total financial program.

- Check your social security statement

A few months before your birthday, you will receive your annual statement from the Social Security office. This statement tells you the benefit you will receive from Uncle Sam at early retirement, full retirement and delayed retirement. It also tells you the benefit your minor children would receive upon your death. Another item it contains is your anticipated benefit should you become disabled and unable to work. All of these figures are based upon being fully vested in the programs. Many people review this statement and add it to their total financial program. This can be done, but for some reason, I prefer just knowing what it is and counting it as extra in the unlikely event that it is actually received.



- Monitor your credit report

Unfortunately, just about everything we purchase involves credit. So it is vital that we stay abreast of our credit standing. Each person by law can call and request one free credit report from each of the three credit agencies once a year. This is also important to insure that we haven't been the victim of identity theft or other credit fraud. Protecting your credit and its rating is imperative. However, if you are one of the millions of Americans with bad credit, know that there is no "quick fix" to bad credit. No company or organization can repair or "erase" bad credit that is legitimate. The only things that fix bad credit are good credit and time. Staying current on your debt payments for an extended period of time will earn you a higher rating.

These are just two of the many factors in being deemed

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# It is never too late to start your financial plan!

**Garnishing Social Security?**

It isn't enough that Americans are forced into paying Social Security. Nor is it enough that if you make too much money while drawing it (lucky you!) up to 85% of it is taxed. Also, again, if you make too much money while drawing it, your benefit is reduced. Here is something else to be aware of about the Social Security Program.

Those who owe federal taxes and are currently receiving Social Security can have their benefits levied to pay their tax bill. Social Security payments could be levied by 15% until the debt is satisfied through the Federal Payment Levy Program. To prevent payments from being levied, Social Security beneficiaries should contact the IRS immediately to resolve their tax debt.



**What You Need To Do**

creditworthy.

- Update your Insurance

With overwhelming losses caused by the unexpected terrorist bombing, many of us see life in whole new light! Since none of us know our appointed time of exit from this world, it might do well to review and if necessary update our insurance programs. None of us want to leave our families financially overburdened because of our absence. There are different

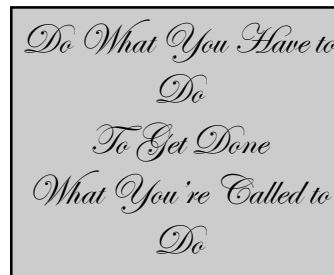
types of insurance programs offered by different organizations. We can get insurance from work, from credit cards and even from car loans. Know what type of insurance you need and how much you need to fulfill your financial objective.

I am just listing a few of the areas that I believe are often forgotten due to our daily activities. But take the time while it is still early in the year to review your financial plan and implement your program. Call us!

**EQUIFAX** 800-685-1111

**EXPERIAN** 888-397-3742

**TRANSUNION**  
800-888-4213



**“Oh, I already have insurance.”**

As many of you know, I used to be a life insurance agent for a major insurance company. When I asked people about their current insurance programs, the reply I heard most often was “Oh, I already have enough insurance.” Or “I am insurance poor.” (I have never quite figured out what that means.) And my next question was “What type of insurance do you have?” This is where the real battle began! Since I am not a hard pressure salesperson, but an educator, I just listened to the person and tried to interpret and explain exactly what type of insurance the person had. It was from that point that the person and I both learned that the person was unclear as to what type of insurance he/she had, and also how much he/she was covered for. On the flip side, I have

come across many people who tell of loved ones passing away either without any insurance or with enough to cover final expenses. These stories come from people who are often left financially burdened. From my experience, there are four reasons why people are adverse to discussing and purchasing life insurance.

1. *They don't want to face the fact that they will die someday.*

Hey, hate to tell you, but all of us will die someday. Let's at least take care of those left behind who depended on us.

2. *They don't want to take care of their families.*

This is a very personal issue

that is impossible for any agent to solve.

3. *They don't want to pay for something they aren't going to benefit from.*

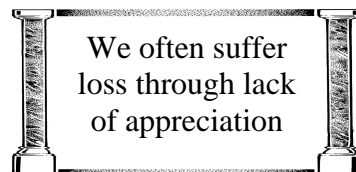
You DO benefit from the insurance you purchase; you gain peace of mind knowing that your family will be squared away financially. Plus, there are insurances that you can benefit from during your lifetime.

4. *They don't want the agent or the insurance company to*

*make any money off of them.*

In a capitalistic society

such as ours, someone is always making money off you. If it helps, you can look at it this way: where else can you get \$100,000 for only \$50?



## Failing to Pay Debts Has its Costs

courtesy Detroit News Feb 18, 2001

### Being delinquent hurts credit rating, causes larger income tax bill

People who fail to repay their debts may end up with more than negative marks on their credit report; they may also be in for a larger income tax bill. Federal regulations require banks, credit unions, finance companies and other lenders

to remove delinquent accounts from their books after payments have lapsed for 180 days.

These "charged off" debts are then considered taxable income to the borrower. Lenders are required to report charge-offs of more than \$600 to the IRS, just as they do wages, interest and other payments.

Billions of dollars in charge-offs occur each year, said Fritz Elmendorf, spokesman for the Consumer Bankers Association, an Arlington, Va. trade group that represents credit card, auto and home loan issuers. Unsecured loans such as credit card balances have the highest discharge rate -- between 3 percent and 5 percent of all balances each year.

Charge-offs, and resulting income tax liability, happen in two ways. In some cases, the borrower simply stops making payments and fades out of sight.

After six months elapse, the lender writes off the balance as a bad debt and files a

1099-C form with the IRS, reporting that amount as income to the account holder. The borrower will receive a copy of the 1099-C in the mail during tax filing season the following year. He or she must declare the amount as income when filing their return, and it will be taxed at their ordinary rate.

But it doesn't end there, notes Steve Rhode, president of Myvesta.org, an Internet-based financial

counseling firm.

You're not exempt from repaying the loan simply because you've been taxed on it.

"The charge-off is purely an accounting tool for the lender," Rhode

said. "That doesn't mean the company has abandoned the debt -- they can still come after you to collect it.

"And there is a huge market of collection agencies that purchase these debts and may try to collect them for many years. And interest continues to accrue at the original terms."

It's not uncommon for credit card issuers to negotiate a reduced payoff with delinquent customers. They may, for example, accept a final payment of \$3,500 to clear a \$5,000 account balance. In this case, the bank would consider the account settled and cease further collection efforts.

But to the surprise of some borrowers, it's not over yet. They will be assessed income taxes on the canceled portion of the debt -- \$1,500 in the example above. This



scenario can also occur in cases of auto repossession and property foreclosure.

Debts discharged in a bankruptcy case are exempt from taxation.

About 40 percent of credit card write-offs are due to bankruptcy filings, Elmendorf said, which leaves billions subject to income tax.

Student loans are exempt when they are forgiven through programs that encourage debtors to work for nonprofit entities or in an underserved area.

Taxpayers who are insolvent -- those whose liabilities exceed their assets -- need not pay taxes on canceled debts. This exception, however, is limited. Say someone has assets of \$10,000 and debts of \$20,000 -- they are insolvent by \$10,000. If a creditor forgives the entire \$20,000, the taxpayer may exclude only \$10,000 from income. Technically, the taxpayer could liquidate the \$10,000 in assets to repay the other half of the loan, even though they may not wish to. So they must include \$10,000 of the forgiven debt as income. Besides canceled loans, here are some other odds and ends of income that typically are subject to tax:

- \* Unemployment benefits.
- \* Alimony.
- \* Proceeds from credit card insurance that makes payments for disabled or unemployed cardholders.
- \* Prizes and awards.

## Ask Mr. Wright

Q. With home mortgage rates at their lowest in 30 years, is it a good idea to refinance my home?

A. It depends on your purpose and overall objective. Generally most people refinance their homes to take advantage of lower interest rates on their mortgage. But in today's high credit card debt climate, mortgage companies are marketing refinancing home as a debt reducing vehicle. Overall, refinancing isn't necessarily the best thing in all cases. Refinancing your home is an excellent idea if you are planning to own the home for an extended period of time (over 10 years). Next, refinancing is good when you are lowering your interest rate at least 3/4 of a point (i.e., from 8% to 7 1/4%). These two situations should be present so that you benefit from the cost of refinancing (which could be 3% - 6% of the loan amount).

Next, if you have do have high credit card debt and want to get rid of it, refinancing your home to access equity could be done. However, if you haven't handled the issues of why you got into credit card debt, then it isn't wise to refinance your home to pay off credit cards just to run the balance back up on the cards because you never handled the cause of debt in the first place! I know this sounds like a lot to consider and it is! I have seen both sides of the coin; people who refinanced and got a fresh start, and those who refinanced and just ended up worse than before. Feel free to call us for credit education! Remember, we are here for you!







# Wright Total Tax

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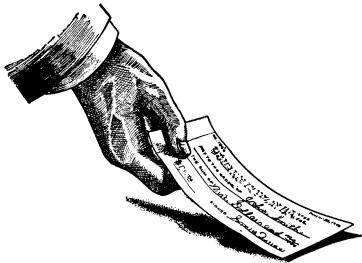
## Keeping Your Money Yours!



## Tax Season Is Here!! Call now!

### Check Your Insurance Program!

With the terrorist bombing on September 11, 2001, many Americans took time to reflect on what was really important to them. Many of us also came to grips with our mortality and the realization that we could be gone from this earth at any time. All of you know me well enough to know I am neither morbid nor negative. However, in the case of the victims of that fateful day, I am sure their



surviving family members would have greatly appreciated the time taken that insured their financial stability in the event of some family member's absence. So I suggest that each of you sit down and review your current life insurance program. If you need any assistance, feel free to call us for your free check up.

## Here We Go Again!

For the second time in two years, Wright Total Tax is extremely proud to announce another expansion; this time to the Greater Columbus Ohio Area.

From its humble beginnings in Fayetteville in 1996, Wright Total Tax has always maintained the focus of you, the taxpayer. With the addition of services in 1998 that included insurance and investments, to the expansion in Metro Detroit in 2000, Wright Total Tax is dedicated to empowering individuals in personal financial affairs.



As a constituent of Con\$ortium Finance, Wright Total Tax provides different services and products to the public. Whether you need financial planning, mutual funds, stocks, insurances, tax preparation or other personal finance services such as budgeting and credit counseling, we maintain a focus of integrity, education, simplicity and effectiveness.

Where ever we go, we are "Here for You!"

### Debt Counseling

Are you affected by today's economy? Laid off? Got lots of credit card debt? Bill collectors ringing your phone? Phone disconnected? Hey, whatever the case, call Wright Total Tax for your free credit consultation. We provide comprehensive credit services that include calling your creditors and arranging payment plans, restructuring your spending priorities, establishing an emergency fund and other services tailored to your needs.

If you have any needs, concerns or questions, feel free to call (910) 426-1164. Remember, at Wright Total Tax,

**We are Here For You!**

### THOUGHT OF THE DAY

*Man, himself, limits his supply by his limited vision.*



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