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WEALTH MANAGEMENT ADVISOR

740 OR BUST: HOW TO RAISE YOUR CREDIT SCORE

OVERSEER OF A LOVED ONE'S ESTATE
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TAX TIPS TO HELP YOU GET THE MOST FROM YOUR INVESTMENTS

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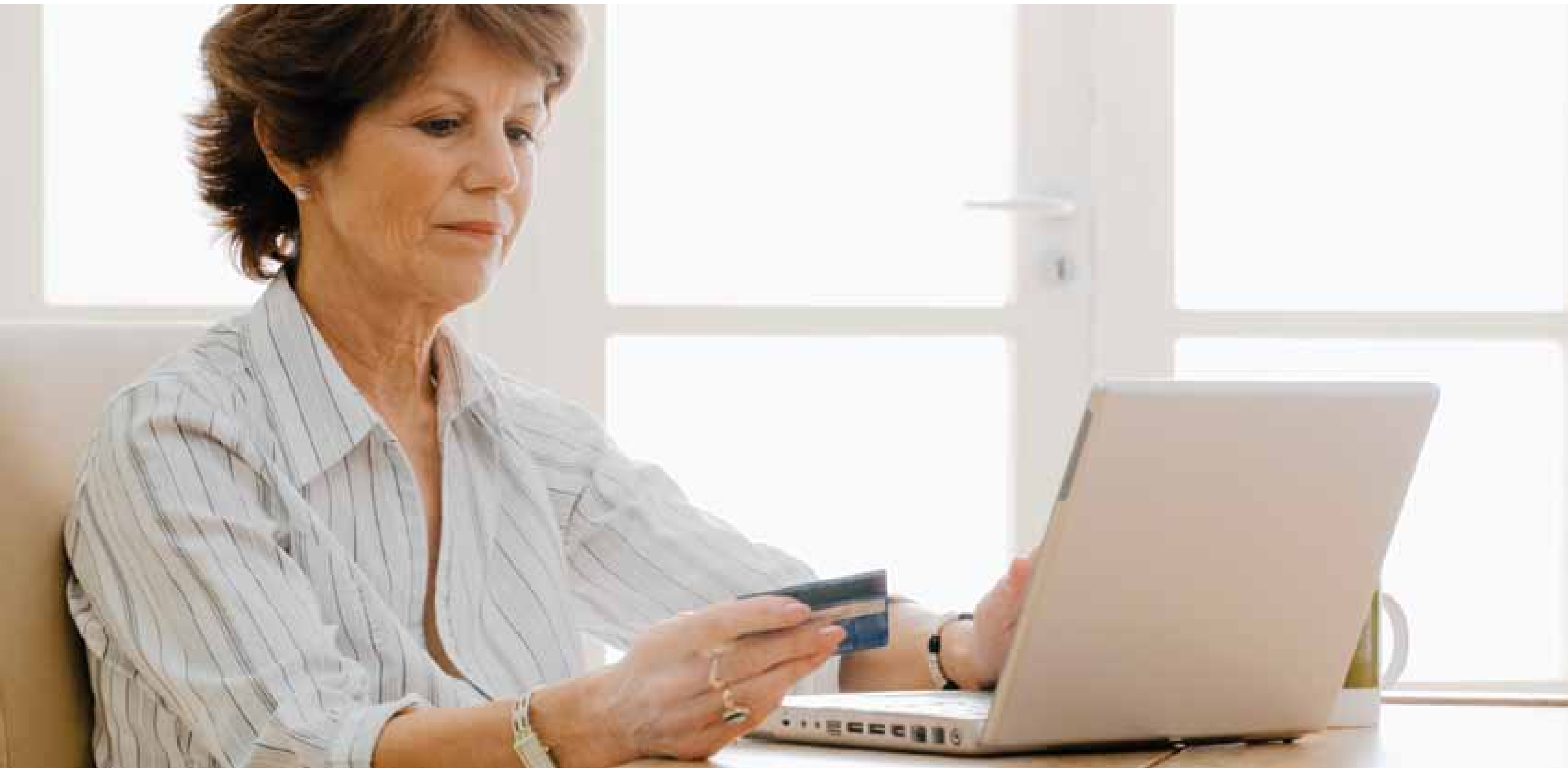

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740 or bust: How to raise your credit score

Your credit score may be the most important three-digit number in your life, so it's to your advantage to achieve and maintain a high one.

Ranging from 350 to 800, credit scores evaluate a person's creditworthiness. Individuals with a solid score typically have access to lower interest rates on mortgage loans and credit cards. During better economic times, a 720 score was enough to put you in the most-favored category of borrowers.

As lenders have become choosier about whom they do business with, that minimum has crept up to 740. And in the current economic climate, those with weak credit scores aren't just experiencing higher borrowing costs; in many cases, they can't secure credit at all.

4 steps toward a higher credit score

Your credit score is determined by a number of factors, including your credit history, the amount of debt you have and the types of credit you've obtained. Credit data is maintained by three major credit-reporting agencies — Equifax, Experian and TransUnion — who share that information with lenders and others who request it.

Obtaining a free credit report without being scammed

If you need a free copy of your credit report, consider visiting annualcreditreport.com. According to the Federal Reserve Board, this is the only authorized online source for a free credit report.

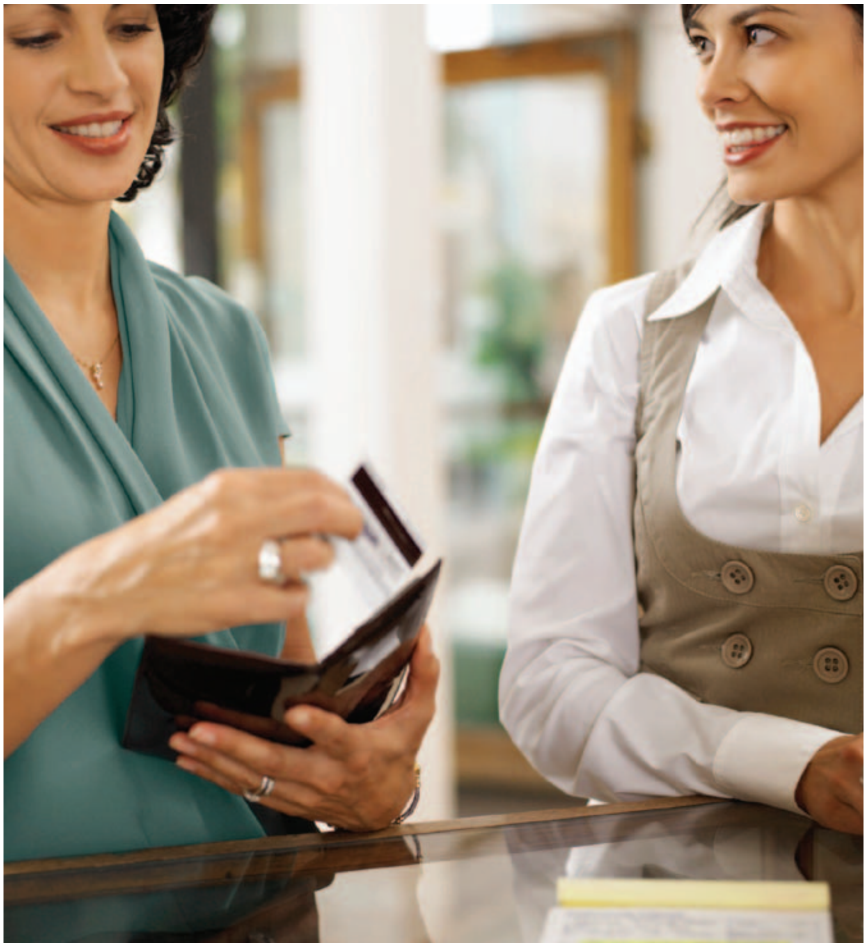
Under federal law, you're entitled to a free report from each of the three national credit-reporting companies once every 12 months. Be aware that, even though the credit report is free, you generally must pay a small fee to obtain your credit score. In addition, be warned that there are many disreputable sources that claim to offer free credit reports but then attempt to collect fees or require you to purchase other services.

When you get your report and score, don't look at just the overall score. Go through the report line by line and make certain everything is accurate. For example, if you're mistakenly listed as having a lower credit limit than you actually have, make sure it gets corrected. The same goes for any other mistakes that might lower your score.

Unfortunately, there's no easy way to improve your credit score. However, it helps to know what the credit-rating agencies pay attention to and make certain you address those factors. Here are four things you can do to boost your credit score:

1. Know where you stand. Check your credit report and obtain your current credit score so you know how much ground you may have to make up. (See "Obtaining a free credit report without being scammed" at left.)

2. Pay down your credit cards. Paying down revolving credit accounts such as credit cards carries more weight than paying down installment loans, such as mortgages and car loans. Lenders typically like to see a sizable gap between the amount of credit you're using and your available credit limits.



Getting (and keeping) your balances below 30% of your limits should put you on the right side of these requirements. Of course, paying off your balances entirely each month is even better than carrying a low balance because you'll avoid paying interest charges.

3. Be a judicious user of credit. This might seem counterintuitive to frugal folks who are used to paying cash for everything. Keep in mind, though, that credit scores are designed to predict how well you'll use credit in the future based on how well you've used it in the past.

If you have little or no credit history — even if it's because you've managed your finances better than most people — you're an unknown quantity as far as the credit-reporting agencies are concerned. The solution is to establish a credit history.

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If you don't currently have a credit card, get at least one of the major cards, such as Visa, MasterCard, Discover or American Express. A major card will build more credibility than, say, retail or gas cards. Regular, even if infrequent, use of these cards will provide the agencies with more data to indicate you can be trusted to handle credit wisely.

4. Make payments on time. Don't make the mistake of assuming a late payment here or there won't hurt your score. It will. When possible, arrange for automatic bill payments to cover at least your minimum payment — and preferably the full balance — due each month. Likewise, if you're disputing a payment, don't let it go. Better to pay it on time and try to recover the money later.

The good news is that, if you pay down significant portions of credit card debt, you could see improvement in your scores within 30 days. Other problems — like bankruptcies and foreclosures — can take longer to resolve.

The benefits of a high score

A high credit score not only can help you secure a favorable interest rate for a loan or credit card, but it also can help you land a job: Employers are increasingly running credit checks before making hiring decisions. So take steps now to boost your score — or, if it's already high, to maintain it. ■

Overseer of a loved one's estate

Are you prepared to be an executor or personal representative?

Your Uncle Ed has asked you to be the "personal representative" of his estate. You're close to your uncle, and you're honored to be asked, but the first questions to pop into your mind are: What does a personal representative do? And am I qualified to perform this job? Before giving your uncle an answer, take some time to educate yourself on the ins and outs of being a personal representative.

Job titles and descriptions

The terms "executor" and "personal representative" are nearly interchangeable. An executor (sometimes called executrix for a female executor) is the traditional term for a person named in a will to administer an estate.

Personal representative is the modern term for executor and is used in many states. (For the purposes of this article, the term "executor" refers to both executors and personal representatives.) Another title that is somewhat related to an executor is an administrator: a person appointed by a probate court to administer the estate of a person (decedent) who dies without a will.

An executor's specific duties vary depending on state law and the terms of the will. Typically, an executor is the person ultimately responsible for the disposition of the assets of the deceased. Thus, an executor:

- Consults, as appropriate, with an attorney, a CPA, an investment manager and other advisors who will assist with whatever needs to be done,
- Arranges for probate of the will and obtains the probate court's approval to act on the estate's behalf,
- Takes custody of the decedent's assets, submits an inventory to the probate court, and obtains appraisals of real estate or other assets whose values aren't readily ascertainable,
- Notifies creditors of their rights and handles their claims,
- Pays the estate's debts and expenses,
- Manages assets — such as bank and brokerage accounts or real estate — and makes investment decisions,
- Files federal and state tax returns on the estate's behalf,
- Distributes the decedent's assets according to the terms of the will, and
- Makes a final accounting to the beneficiaries and the court.

If the decedent was well organized and prepared a schedule of assets, identifying and collecting property can be relatively simple. Often, however, it's the executor who must uncover hard-to-find assets.

Q&A time

After familiarizing yourself with the job description, you likely have a few questions, such as:

Can I get paid for my work? Yes. An executor's fee may be set by the will or otherwise provided under state law. Some states provide a fixed payment schedule. Others simply allow "reasonable compensation," which typically depends on the size and complexity of the estate and the time the executor devotes.

Is there a chance I can be held personally liable? An executor may be personally liable

to an estate's beneficiaries or creditors for certain errors and omissions or for mismanagement of assets. Examples include distributing assets before creditors are paid, failing to file tax returns or pay taxes, making inappropriate investment choices, allowing insurance policies to lapse, and self-dealing (such as buying assets from the estate at below-market prices).

Can I seek professional advice? Yes. Unless you're a professional executor, no one expects you to have the expertise to personally handle all of the work. You may hire CPAs, attorneys, investment advisors or other professionals — at the estate's expense — as reasonably needed to carry out your duties.

Accept or decline the offer

Now that you have a general understanding of an executor's duties, do you still wish to serve as your Uncle Ed's executor? The good news is that, if you accept the position now, you can still change your mind and decline it later, even after your uncle's death. However, if you accept the job and begin to fulfill your duties, you can't just walk away. You'll need to notify the probate court of your intention to resign and may need to submit an accounting to the court or meet certain other requirements. ■

Tax tips to help you get the most from your investments

You and your investment advisor have developed an investment strategy that's well suited to your risk appetite. When it's time to harvest some of the gains produced by your strategy, it's important to understand how capital gains are taxed so you don't lose more than necessary to taxes.

Long-term vs. short-term gains

Capital gains are created when you sell an investment for more than your cost basis. In a taxable account — as opposed to a tax-deferred account, such as an IRA or 401(k) plan — capital gains create a tax liability for the year in which the sale occurred. The tax rate that applies to the gains depends in part on whether they're short term (held one year or less) or long term (held more than one year).

Long-term capital gains generally are taxed at a maximum rate of 15%. But after 2010, this rate is scheduled to increase to 20% unless Congress takes action. (Check with your tax advisor for the latest information.) On the other hand, short-term capital gains are taxed as ordinary income, which can result in your paying considerably more tax, depending on your tax bracket.

Your decision to sell an investment shouldn't be driven solely by tax considerations, but it's good to be aware of potential tax consequences if it's close to the one-year mark — or close to year end — when you're considering selling. You'll also want to keep in mind your year-to-date and prior years' carryover of capital losses, which can offset capital gains.

Determining your cost basis

For tax purposes, what you paid for an investment generally is your cost basis. Even though determining your cost basis isn't always straightforward, let's review some basics.

You're responsible for reporting your cost basis, so hang on to your confirmations and statements showing what you paid for various investments. Your cost basis should be adjusted by adding any commissions and fees to what you paid. Stock splits, spinoffs and other corporate events can also have an impact.

If you inherited a security you're now selling, your cost basis generally is the value as of the donor's date of death. But if you received the security as a gift, the cost basis carries over from the donor, and must be traced back to when it was originally purchased.

Be aware that mutual fund investors sometimes fail to adjust their cost basis for the automatic reinvestment of taxable distributions. You've likely already paid tax once on these reinvested distributions; adding them to your cost basis will ensure you aren't taxed twice.

Selecting tax lots

When you purchase shares of securities at different times and prices, you end up with different tax lots. If you later sell part, but not all, of your position in a particular security, the IRS allows some latitude in determining which tax lots you use for that sale. Your gain or loss can sometimes be significantly higher or lower depending on which tax lot you use, so it pays to consider this point carefully.

IRS-approved accounting methods of recognizing gains or losses using different tax lots include first in, first out (FIFO) and specific identification. For mutual funds, there are also two methods that involve averaging the cost of your various purchases.

Check in with your advisor

If you're considering a major sale in a taxable account or planning your strategy for recognizing gains and losses, it's a good idea to touch base with your tax advisor. He or she can calculate your capital gains tax liability and help ensure that you don't leave money on the table. ■

Health care reform and your taxes

You likely remember the political and public debates surrounding the health care legislation last spring. There were strong feelings for and against the bill. Whichever side you fall on, there's little doubt that the Patient Protection and Affordable Care Act (PPACA) will affect you — whether you're insured or uninsured and regardless of your income level. Let's take a closer look at a few important tax provisions affecting individuals.

Affluent can expect higher taxes

Affluent taxpayers will see an increase in their tax bill starting in 2013. If you earn income of more than $200,000 ($250,000 for joint filers, $125,000 for separate filers), you'll pay an additional 0.9% in Medicare tax on the excess.

If your adjusted gross income (AGI) is more than $200,000 ($250,000 for joint filers, $125,000 for separate filers), you'll pay a new, 3.8% Medicare tax on *unearned* income, such as interest, dividends, rents, royalties and certain capital gains. This tax won't, however, apply to any retirement plan distributions you take.

Also beginning in 2013, the act increases the threshold for deducting your unreimbursed medical expenses from 7.5% to 10% of AGI and limits your contributions to a Flexible Spending Account (FSA) for medical expenses to $2,500 per year. (Currently there's no statutory limit on medical FSA contributions.)

Penalties assessed on the uninsured

Beginning in 2014, those who aren't eligible for Medicaid, Medicare or other government-provided coverage must purchase a health insurance policy. Those who don't (with a few exceptions) will be subject to a penalty, which will gradually increase:

2014: the greater of $95 per person or 1% of household income,

2015: the greater of $325 or 2% of household income, and

2016: the greater of $695 or 2.5% of household income.

For families with children under age 18 or in college, flat dollar penalty amounts per child are halved. In addition, a person's total liability for all family members whom the person is liable for is limited to three times the applicable dollar amount.

Access to coverage

The PPACA will increase access to health care coverage to individuals by creating state-based insurance exchanges — beginning in 2014 — through which a person can buy coverage at a competitive price. Additionally, starting this year, the act requires health plans that provide coverage to employees' dependent children to continue making the coverage available until the children turn age 26. Further, IRS guidance has clarified that coverage for such children will be excluded from an employee's taxable income.

> Affluent taxpayers will see an increase in their tax bill starting in 2013.

The act and your tax liability

The PPACA overhauls the U.S. health care system and includes tax provisions affecting both individuals and businesses. To learn more about how the act may affect your tax situation, consult your tax advisor. ■

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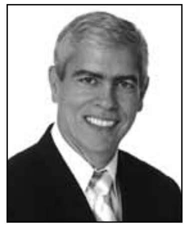

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