Glide into tax season with financial planning

With good planning, you can start the year off right by making sure you and your family are financially fit and ready for the new year, and possibly reduce your tax bill.

Here is a financial checklist to consider:

Tap into the Power of Tax-Deferral: If you are thinking of investing in mutual funds for long-term or retirement savings, consider the purchase a variable annuity. You've got the 1099 forms for 2000 already from any mutual funds you own. If you have a tax bill this year, you'll likely wait until April 15 to pay it, to give the money extra time to work for you. What if you had the option to wait 10 or 20 years to pay? That's tax-deferral. You control when you pay taxes on your money so you can get the maximum mileage out of your investment earnings. Variable annuities provide tax-deferred investments — you pay no taxes on the earnings until you actually withdraw the money, and you receive no tax assessment during the accumulation phase. You can also move money between the funds within your annuity without incurring taxes, and you can invest in VAs at any time without negative tax consequences.

Keep in mind that variable annuities typically carry mortality and expense charges, administrative fees, and deferred sales charges that can reduce tax-deferred performance. Withdrawals of the tax-deferred earnings are taxed as ordinary income, and surrender charges may apply, in addition to a 10 percent tax penalty for withdrawals before age 59 1/2.

Protection for You and Your Family: Review your insurance and savings plans, including homeowners, auto, life, health and disability insurance, retirement plans and investments to make sure you have done everything necessary to prepare for the future. Insurance protects against unforeseen events, such as storms, accidents, disability, illness or death.

Check Your Reimbursable Medical and Child Care Accounts: If, by year-end, you haven't used all the dollars in a pre-tax medical or child care spending account, you could forfeit all the money remaining. Near year-end, if you have money remaining, you may want to schedule an eye, dental or physical exam, or stock up on prescriptions.

Put Your Bonus in Your Employer-Sponsored Pension Plan: If you haven't maxed out on your pre-tax contribution allowable (usually $10,500 per year for 401(k) plans), ask if you can put part, or all, of your bonus into that account.

.Consider Giving Away Some of Your Money: A charitable contribution, such as to your church, alma mater or other worthy cause, can be tax deductible. You can also give away as much as $10,000 annually to as many people as you'd like without incurring the federal gift tax ($20,000 per couple).

Consult a Financial Planner: If financial planning is important to you, it may be worth your while to consult a financial planner to discuss strategies for saving taxes, maximizing your investments, and making sure you cover as many contingencies as possible. Using a checklist will help you achieve your goals of deferring income, accelerating deductions and taking advantage of tax credits. Smart planning involves more than just reviewing the past year — it means looking ahead to the next year as well.

LIFESMARTS: Consumer tips for teens

Youth spending represents a significant portion of the American economy. Collectively, young adults spend billions of dollars of their own money each year, in addition to the money their parents spend on them. That's a lot of money spent for and by young adults, who should be prepared to make important decisions involving money and consumer transactions. Young people should be informed and ready to make the right decisions when purchasing a car, obtaining a credit card or renting an apartment for the first time. Here are a few tips for young adults to consider before they step into the "real world."

Personal Finance: Act responsibly to establish and maintain good credit

Credit card interest rates are among the highest allowed by law, -and can have a devastating effect on personal finances for years after a young adult incurs a credit card debt. For example, it would take 11 years for a young person to pay off a $2,000 balance on a credit card with an 18.5% interest rate by making only the minimum monthly payments. Too much debt or a poor payment history can negatively affect your credit report. In most cases, negative financial information stays on your credit report for at least seven years and can be used to reject future credit applications. Parents of young adults, and young adults themselves, should consider using debit cards as an alternative to credit cards. Debit cards permit deductions directly from one's checking account as one makes purchases. Unlike personal checks, the use of a debit card results in an immediate deduction from an account, so there must be adequate funds in the account when the purchase is made. Of course, young adults should make sure to keep track of debit deductions to avoid bouncing any checks.

Technology: In an information-driven society, it's important to know how to protect your personal information from identity thieves.

Never give out personal information such as social security, credit card or debit card numbers on an unsecured or unfamiliar website. Identity thieves often monitor the Internet in search of such information.

Shred all personal information such as bank and credit card statements and ATM receipts.

Understand all terms and conditions of a cell phone contract before signing.

Never agree to any extra services you don't need or want.

For more information on consumer issues, check out the Attorney General's website at www.attorneygeneral.gov or call the Bureau of Consumer Protection's Hotline at 1-800-441-2555.

See LIFESMARTS, pg 6