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When a Saver Marries a Spender, Every Penny Counts
What to Know About Buying a Fixer-Upper
Financial Tips for Going Back to College at Any Age
What do I need to know about submitting the FAFSA?

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LIFE THE WAY YOU PLANNED IT.

When a Saver Marries a Spender, Every Penny Counts

If you're a penny pincher but your spouse is penny wise and pound foolish, money arguments may frequently erupt. Couples who have opposite philosophies regarding saving and spending often have trouble finding common ground. Thinking of yourselves as two sides of the same coin may help you appreciate your financial differences.

Heads or tails, saver or spender

If you're a saver, you love having money in the bank, investing in your future, and saving for a rainy day. You probably hate credit card debt and spend money cautiously. Your spender spouse may seem impulsive, prompting you to think, "Don't you care about our future?" But you may come across as controlling or miserly to your spouse who thinks, "Just for once, can't you loosen up? We really need some things!"

Such different outlooks can lead to mistrust and resentment. But are your characterizations fair? Your money habits may have a lot to do with how you were raised and your personal experience. Being a saver or a spender may come naturally; instead of assigning blame, try to see your spouse's side.

Start by discussing your common values. What do you want to accomplish together? Recognize that spenders may be more focused on short-term goals, while savers may be more focused on long-term goals. Ultimately, whether you're saving for a vacation, a car, college, or retirement, your money will be spent on something. It's simply a matter of deciding together when and how to spend it.

A penny for your thoughts?

Sometimes couples avoid talking about money because they are afraid to argue. But talking about money may actually help you and your spouse avoid conflict. Scheduling regular money meetings could help you gain a better understanding of your finances and provide a forum for handling disagreements.

To help ensure a productive discussion, establish some ground rules. For example, you might set a time limit, insist that both of you come prepared, and take a break in the event the discussion becomes heated. Communication and compromise are key. Don't assume you know what your spouse is thinking--ask--and be willing to negotiate. Here are some questions to get started.

- What does money represent to you? Security? Freedom? The opportunity to help others?
- What are your short-term and long-term savings goals?
- How much money is coming in and how much is going out? Never assume that your spouse knows as much about your finances as you do.
- How comfortable are you with debt, including mortgage debt, credit card debt, and loans?
- Who should you spend money on? Do you agree on how much to give to your children or how much to spend on gifts to family members and friends, for example?
- What rules would you like to apply to purchases? One option is to set a limit on how much one spouse can spend on an item without consulting the other.
- Would you like to set aside some discretionary money for each of you? Then you would be free to save or spend those dollars without having to justify your decision.

Once you've explored these topics, you can create a concrete budget or spending plan that reflects your financial personalities. To satisfy you and your spouse, make savings an "expense" and allow some room in the budget for unexpected expenses. And track your progress. Having regular meetings to go over your finances will enable you to celebrate your financial successes or identify areas where you need to improve. Be willing to make adjustments if necessary.

Finally, recognize that getting on the same page is going to take some work. When you got married, you promised to love your spouse for richer or poorer. Maybe it's time to put your money where your mouth is.

What to Know About Buying a Fixer-Upper

If you install certain energy-efficient equipment in your home, you may be eligible for a tax credit.

The residential energy efficient property credit (available through 2016) can be claimed for 30% of the cost of specific energy-efficient equipment that you install in your home. This equipment includes solar electric items, solar water heaters, wind turbines, geothermal heat pumps, and fuel cell property.

See IRS Tax Tip 2015-38 for more information.

Buying a fixer-upper property has become popularized thanks to home improvement shows. But buying a fixer-upper--either to keep or resell--isn't just for TV.

Why purchase a fixer-upper?

There are many reasons to consider purchasing a fixer-upper, such as:

- Profit potential--If you choose to rent or sell the home, you have an opportunity to earn an income or make a profit.
- Build equity--If you plan to occupy the home, you can build equity over time and eventually pass the home to family members.
- Reduced competition--Buyers may be reluctant to purchase properties that require extensive renovations. A smaller competition pool may increase your chances of acquiring the property at a lower cost.

Because there are many potential benefits to buying a fixer-upper, it's important to understand the process and the potential problems that can come with it.

Location, location, location

Location is key when purchasing any piece of real estate. Look for properties in desirable areas or where property values are on the rise. The renovations needed could elevate the home to the level of the neighboring houses. Updating a home in an undesirable neighborhood may leave you with a property that costs more to renovate than you would make by reselling it.

What about foreclosures?

Purchasing foreclosed properties has become increasingly popular for those looking to profit from real estate; however, buying bank-owned property can come with many possible drawbacks. In many instances, homes owned by a bank cannot be fully inspected prior to purchase, and the bank may be unable to provide information on the condition of the home. This can lead to some unwelcome surprises when you finally get to see the property you've purchased. When purchasing a foreclosed home, anticipate some setbacks and create a contingency reserve for unforeseen costs.

Easy vs. expensive fixes

Whether you're planning to do the work yourself or hire an expert, you need to know how difficult, time-consuming, and expensive the improvements will be.

Easy fixes include painting walls, removing wallpaper, replacing light fixtures and fans, and refinishing floors. More expensive fixes include replacing a roof, plumbing, electrical, or windows; an extensive kitchen or bath remodel; and replacing HVAC systems or adding central air.

Some renovations add more value to the home than others. When making renovation decisions, consider both the estimated cost and the home's projected resale value. Less expensive renovations may generate a higher profit margin, while more expensive renovations might leave you with a minimum return on the money you spent.

Tax consequences

While renovations are one of the most important (and exciting) aspects of owning a fixer-upper, also consider the potential tax consequences that come with buying any piece of real estate. The tax implications will vary depending on whether you live in the home, rent it out, sell it right away, or hold on to it for a while for resale. Talk to your tax professional to learn more about the tax consequences for your specific situation.

Financing your fixer-upper

Both the Federal Housing Administration (FHA) and Fannie Mae offer loan programs specifically for people renovating a home.

The FHA 203(k) Rehab Loan is a government-funded loan that can help you finance both the purchase of the home and the projected cost of renovations in one mortgage. This loan program is limited to the rehabilitation of homes that will be owner occupied, and therefore might be a good option if you want to invest in a fixer-upper that will stay in your family. (Source: U.S. Department of Housing and Urban Development, 203(k) Rehab Mortgage Insurance)

Unlike 203(k) loans, the Fannie Mae HomeStyle Loan is not limited to the renovation of homes that will be owner occupied; therefore, this loan program can be used by homebuyers who wish to renovate a fixer-upper into a vacation home or rental property. There are no restrictions on the types of repairs allowed except that all repairs must be on the property and must add value to the home. (Source: Fannie Mae HomeStyle Renovation Mortgage Fact Sheet, August 2014)

For more information on both loans, visit hud.gov and fanniemae.com.

Financial Tips for Going Back to College at Any Age

Education Tax Benefits

Several education tax credits and deductions could help reduce the cost of college or vocational training, including the American Opportunity credit, the Lifetime Learning credit, and the student loan interest deduction. To learn more, consult a tax professional or IRS Publication 970, Tax Benefits for Education.

You're never too old to learn, but you might be wondering how you can meet your educational goals without breaking the bank. Believe it or not, there are ways to make college more affordable no matter what your age.

In your 20s

Perhaps you weren't ready to go to college immediately after graduating from high school. You took time off to travel, work, raise children, or pursue a military career. But after getting some "real world" experience under your belt, you've decided now is the time to go back to college.

Should you jump into a four-year bachelor's program or a two-year associate's degree? The answer may depend on what you want to study, how much time you have to devote to your studies, and how much you can afford. Keep in mind that federal financial aid eligibility is based on a student attending school on at least a half-time basis. Also bear in mind that the more time you spend in school, the higher the overall tuition bill and the more money you may need to borrow--and pay back.

Certificate or vocational training programs may also be worth considering as viable alternatives to more traditional four- or two-year options. Usually, they are less expensive and can be a faster way to build a skill set needed to start your career.

If you spent time in the military, you could be eligible for education benefits that may cover the cost of tuition/fees, housing, and books. To learn more about available benefits and eligibility requirements for military members, visit benefits.va.gov.

In your 30s, 40s, and 50s

The prospect of paying for college may seem impossible if you're struggling to balance your family life, job, and finances. It might make sense, though, if you need or want to upgrade your job skills or change your career.

Some employers offer tuition reimbursement benefits to help employees improve their skills or gain new skills. This can be a very valuable financial resource, so check with your human resources department to see if your company offers tuition benefits. However, employers typically require employees to remain at the company for a certain length of time after the benefits are paid, so make sure to check out the details.

If you have a particularly hectic schedule, registering for night classes, online classes, or as a part-time student may be more convenient for you.

Nontraditional class times or virtual attendance can also be more cost-effective by eliminating additional expenses like the cost of commuting or housing that are associated with conventional enrollment.

If you're in your 50s, it may be worth looking into colleges supported by programs like the American Association of Community Colleges Plus 50 Initiative. This program provides funding to community colleges for the creation and expansion of campus programs that target individuals aged 50 and older who seek workforce training or preparation for a new career. To see colleges in your area that are associated with the initiative, visit plus50.aacc.nche.edu.

In your 60s and beyond

If you're approaching retirement or already retired, you might be inspired to pursue a college degree or attend classes merely for educational enrichment. If so, you don't necessarily have to tap into your retirement funds to pay for college.

A growing number of state universities and community colleges offer a selection of tuition-free classes for older students. Other schools may offer reduced tuition based on your age.

And if you don't mind learning online, massive open online courses (MOOCs) could be a cost-effective option. MOOCs offer a wide variety of classes at little or no cost, allowing you to quench your thirst for more knowledge on a variety of topics at the time of your choosing.

Tips for all ages

Renting textbooks, registering for online courses, and applying for financial aid are examples of money-saving strategies that could help a college student at any age. Remember that most students are eligible for some form of financial aid, so you will want to fill out the federal government's Free Application for Federal Student Aid (FAFSA) to determine how much aid you might be eligible for. To learn how much aid you might receive, visit a college's financial aid office, run a college's net price calculator on its website, or visit fafsa.ed.gov.

If you receive a smaller amount of financial aid than you hoped, research local, state, and national scholarships. Accomplishments you've made over the years from your nontraditional education path could help you qualify.

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What do I need to know about submitting the FAFSA?

The FAFSA, which stands for Free Application for Federal Student Aid, is the federal government's financial aid application. Though the thought of completing it may inspire a collective groan from parents each year, this form is the prerequisite for many different types of federal and college financial aid, including loans, grants, scholarships, and work-study. So filling it out should be one of the first things on your list if your son or daughter will need some type of financial aid to attend college.

Even if you don't think your child will qualify for aid, you should still consider submitting the FAFSA in two instances. The first is when you want your child to have some "skin in the game" by taking on a small loan. In this case, filing the FAFSA will make your child eligible for an unsubsidized Stafford Loan each year--up to $5,500 for freshmen, $6,500 for sophomores, and $7,500 for juniors and seniors. Unsubsidized Stafford Loans aren't based on financial need and are available to any student attending college at least half-time.

The second situation for which you might file the FAFSA is when you want your child to be considered for college financial aid. Colleges generally require the FAFSA, along with the CSS Profile form, before they'll determine whether your child is eligible for any college need-based grants and scholarships.

The FAFSA is available online at fafsa.ed.gov. A new sign-in method (as of May 2015) requires creating an FSA ID, which consists of a username and password. The FSA ID replaces the prior PIN sign-in method and is meant to be more secure.

The FAFSA should be filed as soon as possible after January 1 for both new and returning students because some aid programs operate on a first-come, first-served basis. Practically speaking, many families wait to submit the FAFSA until after they have completed their tax returns, but you don't have to wait. The FAFSA can be submitted with estimated tax numbers and then updated later with final tax numbers by simply adding the final numbers manually or using the government's online IRS Retrieval Tool. Regarding the filing timeline, look for a change on the horizon. Starting with the 2017/2018 school year, families will be able to file the FAFSA as early as October 2016 using their 2015 tax information.

What happens after I file the FAFSA?

After you submit the federal government's FAFSA (Free Application for Federal Student Aid), you will receive a Student Aid Report (either electronically or by mail, depending on how you filed the FAFSA). This report summarizes key data from your FAFSA and provides you with the holy grail of numbers--your expected family contribution, or EFC, which is the amount of money the government expects your family to contribute toward college for the current year before being eligible for federal aid.

For example, EFC27000 means that your expected family contribution is $27,000. Keep in mind that this figure is what the *government* says you can afford to pay, not what *you* say you can afford. In fact, many families may find it difficult to pay their EFC, let alone any potential remaining costs.

Review your report carefully to make sure it contains your correct income and asset information. Any corrections should be made immediately and sent back for reprocessing. If you have questions, you can contact the Federal Student Aid Information Center at 1-800-433-3243. An asterisk (*) next to your EFC means that your application has been selected for verification, which means you'll need to provide additional documentation as specified.

Your Student Aid Report is also sent to each college that your child listed on the FAFSA. The financial aid administrator at each school that has accepted your child will then use the report (along with the CSS Profile form, if applicable) to craft an aid package that attempts to meet your child's financial need. Aid packages typically include various combinations of federal loans, grants, and work-study jobs along with college grants and scholarships. Colleges are not obligated to meet all of your family's financial need. If they don't, it's called getting "gapped." In this case, you're on the hook for your EFC *plus* any gap.

Both new and returning students will be notified of a college's aid package in the spring. Some colleges may send a letter, some may post the information on a password-protected online site, and some may do both. Make sure to look over the award carefully. If you have questions or your financial circumstances have changed since you filed the FAFSA, contact the college's financial aid office.

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The End of File & Suspend

On the surface, it seems too good to be true. You have a married couple, where (let's say) the husband has earned higher yearly income than his wife. That means he has contributed more to Social Security over his working life. The husband files for Social Security benefits at full retirement age (currently age 66) and then immediately files to suspend those benefits.

As a result of this simple maneuver, the wife is now entitled to immediately receive Social Security spousal benefits equal to half of the husband's full retirement benefits that were just suspended. She would do this if 50% of the husband's benefit is higher than she would have received if she had simply claimed her own Social Security payments.

Because he suspended his benefits, the husband can continue working, and wait until age 70 to start receiving Social Security checks in his own name. Why would he do that? Because each year of deferral allows him to accumulate more credits—effectively raising his monthly benefits 8% a year, which is considerably higher than the inflation rate. At that time, the wife would stop claiming the husband's benefits and start receiving her own Social Security checks. If she was working at the time, she might have raised the amount she could claim under her own name. Or she might have been able to wait to claim her own account until she's 70, raising the amount she collects just as her husband did.

Presto! More money now, more money later.

This popular Social Security claiming strategy is called "file and suspend," and by this time next May, it may no longer be an option for retirees. The Bipartisan Budget Act of 2015 that recently was recently signed into law will close what lawmakers are calling the "file and suspend" loophole six in the future. You can expect that eligible seniors will be knocking on the doors of their Social Security offices before that deadline. Meanwhile, those who have already filed and suspended will be allowed to continue as before.

The original rationale behind the file and suspend strategy was to encourage more seniors to continue working. The rationale behind ending it is that it was becoming a drain on the Social Security system. Moreover, Congress was looking for money to offset a huge increase in Medicare Part B premiums for individuals not yet receiving Social Security payments. The provision is likely to pass the Senate, and could be the opening gambit of a broader discussion about how to "fix" Social Security's messy finances.

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Retirement At 75

Chances are you've wondered about the prospects of younger Americans. Will they enjoy the same economic conditions that their parents lived through? Will retirement still be an option for them?

The NerdWallet organization recently issued a report which found a few differences between today's college graduates and those of 20 to 40 years ago. For one thing, they carry a lot more student loan debt: $35,051 on average. That means, again on average, that the new graduates will be paying $4,239 a year for ten years before they can properly start saving. NerdWallet estimates that these higher loan payments could potentially reduce future retirement savings by 32%—an average of $700,000.

In addition, today's younger generation faces higher rental payments—up 11% since 2012—and having to delay home ownership to a median age 33. This, too, reduces their ability to squirrel away money for the future.

Finally, millennial investors have apparently been powerfully impacted, psychologically, by the Great Recession. NerdWallet found studies showing that younger savers keep an average of 40% of their saved money in checking and savings accounts or CDs. This means they're missing out on investment returns, which would cost them more than $300,000 in future retirement funds, on average.

Add it all up, and the NerdWallet researchers estimate that today's college graduate won't be able to retire at the traditional age 65. On average, they'll have to wait until age 75 before work (and an income) is optional. The site notes that the graduate would have to save 15% of his/her income a year starting at age 23 to bring retirement back down to age 65—which may not be possible due to higher student loan debt and rent, and won't be anywhere close to possible with a 40% allocation to cash.

Source:

- http://www.nerdwallet.com/blog/2015-grad-retirement-report

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MyRa: My Retirement Account

In his 2014 State of the Union address, President Obama announced that he was directing the U.S. Treasury Department to create a new retirement savings initiative: the myRA, officially named My Retirement Account. This week, the first retirement savers will put the first dollars into the program.

The myRA is basically a government-sponsored Roth IRA with the same contribution limits ($5,500 a year, or $6,500 for those 50-and-older). Like the Roth IRA, all myRA contributions will be made after-tax (in other words, no deductions for the contributions), but the money will come out tax-free when the taxpayer reaches age 59 1/2. However, unlike the Roth, where the money can be invested in zillions of possible combinations of thousands of mutual funds, ETFs and individual stocks, the myRA participant has exactly one investment option: the government's Securities Fund for federal employers, which earned 2.31% last year.

Moreover, there are limitations on who can participate in the myRA. Only people with no 401(k) or 403(b) retirement plans at work can make myRA contributions, and even then, only those with an adjusted gross income less than $131,000 a year ($193,000 for couples). Also: once you've accumulated the maximum myRA balance of $15,000, you have to move the money over to a private-sector Roth IRA. The only benefit: the myRA doesn't come with any custodial or account fees, but those are typically nominal when you open a private sector Roth IRA.

So why would people contribute to a retirement option that is identical to a Roth IRA, but with roughly a zillion fewer investment options? It's possible that unsophisticated investors will appreciate the simplicity of the myRA solution, where, instead of having to decide where to invest, they simply lend their money to the federal government and collect the (modest) interest. The fact that the myRA account has no minimums could be attractive. Most private sector Roths require at least $1,000 to be invested, but theoretically you could start your myRA with a penny.

It's also possible that the U.S. Treasury Department is about to discover that there's less demand for an inferior retirement plan than government economists had projected.

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