

State Treasurer Richard Moore's



MONEY CLIPS

E-Newsletter on Personal and Small Business Finance

July 2005, Issue 8



Message From The Treasurer

Welcome to the July 2005 edition of the *Money Clips* e-newsletter! This issue provides you with informative articles on topics such as setting up an IRA, budgeting and how to make your money equal personal success.

In this issue you will also find a new resource guide website list on small business planning. The websites listed provide you with information concerning current small business trends, networking assistance for small business owners and much more.

I am excited about the September Conference on Financial Literacy and Asset Building. This event will provide representatives of organizations an opportunity

to gather information about many different financial literacy or asset building initiatives to take back to their communities. Registration is now open for the conference on our website, www.nctreasurer.com.

With the first half of the year already behind us and summer in full swing, we may find ourselves planning vacations we didn't have budgeted.

This summer, I encourage you to spend wisely and save to pay for those unplanned outings. Be sure to share the information found in this newsletter with your friends and family!

Have a great summer and stay cool!

Richard H. Moore



North Carolina State Treasurer
Richard H. Moore

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**Check out
www.nccash.com
to see if
State Treasurer
Richard H. Moore
is holding some of
your money!**



How To Develop A Successful Budget

Living a financially responsible life in today's world can be challenging. We are expected to save the money we make and invest it for college funds, retirement and emergency funds. At the same time, our culture encourages us to spend lots of

our earnings. We are constantly bombarded with messages that we "need" every product or service on the market. In today's society, it seems that success is measured in the value of our material possessions, not in how much money we have saved

over the years. However, the best way to live a financially stable life is to save our paychecks. So, how can we balance the need to save and the desire to spend at the same time?

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Should I Set Up A Traditional IRA?

Dexter V. Perry is Portfolio Manager for A & B Management in Cary

Since they were created, traditional individual retirement accounts (IRAs) have grown in popularity with investors. IRAs offer some very attractive benefits.

For many people, IRAs offer a substantial current income tax deduction. Last year in 2004, if you qualified, you could make a tax-deductible contribution of \$3,000 to your IRA (or if married, you could make a *combined* contribution of \$6,000). The contribution limit has gone up this year to \$4,000.00 per person (or if married, you could make a *combined* contribution of \$8,000) and it will gradually increase to \$5,000 per person (\$10,000 for joint filers) in 2008.

There is also a "Catch-Up" provision for those past age 50. A special provision was made for the large group of "baby

boomers" who are getting closer to retirement. If you are over age 50, you can make an extra annual contribution of \$500 through year 2005, and \$1,000 in the year 2006 and thereafter.

In addition to this deduction, the assets in an IRA can grow tax deferred. Over a period of years, this tax deferral can add up to quite a significant advantage.

Contributions and earnings are taxed as ordinary income when they are withdrawn. In addition, withdrawals prior to age 59½ are subject to a 10 percent federal tax penalty.

Before you jump into an IRA, it's important to determine whether it will meet *your* retirement planning needs.

Will Your Contributions Be Deductible?

The first thing to determine is whether

your contributions to a traditional IRA are deductible.

If you are an active participant in a qualified retirement plan — such as a simplified employee pension or a 401(k) plan — your IRA deduction may be reduced or eliminated.

An IRA Could Make Sense for You

If you qualify to make tax-deductible contributions and can leave your funds in place, IRAs often make sense. An IRA could be a valuable addition to your retirement and tax planning efforts.

By working with a financial advisor, you can determine whether an IRA makes sense for you.



Budget, continued from page 1

A good solution is to develop a personal budget. This is a lot easier said than done, but with a little time and effort the results are rewarding.

Step 1: Set goals.

Make a list of where you want your money to go. For example, your goals might be long-term, such as to get out of debt, start and maintain a college fund for your children and save for a new home. You may also have short-term goals, such as to save for next year's summer vacation. Just make sure your goals are realistic and achievable, and prioritize them by weight of importance in your life.

Step 2: List your current expenses.

Make a list of *everything* on which you are currently spending money. How does this list compare with your list of financial goals? If the lists match, you're already on the right track. If not...it's time to start making some financial changes in your life.

Step 3: Evaluate your current income.

Compare your current income with your list of current expenses. Are you spending more than you're making? Does your current lifestyle accurately reflect your true income? If you're living in a house you can't afford or driving a car with monthly payments so high you struggle to keep up, then your lifestyle is too expensive for your income. Once again, it's time for a financial reality check.

Step 4: Cut expenses.

One of the best ways to start saving money is to start cutting back on unnecessary expenses. With a little personal discipline, it can be done. Stop eating out as often, make coffee at home instead of paying Starbucks to do it for you, and don't make impulse purchases. If you're driving a car you really can't afford, or one that guzzles ridiculous amounts of gas, trade it in for one with lower monthly payments or better gas mileage. Making small adjustments to

your lifestyle can save you large amounts of money and will make budgeting much easier.

Step 5: Practice and maintain!

Nobody expects you to quit spending cold turkey. Unless you are on the verge of bankruptcy, you can make one small adjustment at a time. Practice your budget and spend your money wisely. If you mess up, don't lose sight of your goals, just get yourself back on track. If your income increases, don't increase your spending. Let the extra money overflow into your savings plan. If you practice and maintain your spending and savings plan, your budget will be a success.

Miquel Purser was previously a communication intern at the NC Department of State Treasurer. She researched websites and other financial information to prepare this article.

Does Money = Success?

Genevia Gee Fulbright, CPA is VP/Marketing Director of Fulbright & Fulbright, CPA, PA and a National Senior Finance Advisor for the National Association of Black Accountants.

Do you ever have minor disagreements about the use of your share of the money with your spouse, family, business partner or boss?

I talk to individuals regularly who express concerns over having a different money philosophy than the people around them. You ask, what is a money philosophy? It's your concept of the purpose of money and how you view how it should be used. Some actually perceive money as evil, power and validation. For further ideas on money, visit your local library for a copy the book *Facing Financial Dysfunction* by Bert Whitehead, MBA, JD.

I recall working with a financially challenged entrepreneur many years ago. Instead of selling the excess business vehicles, reducing travel expenses by cutting back on golf and ski trips, switching to a more cost effective cell phone service, and reducing dining out expenses he continued to spend money as if his business was generating a significant profit. You know the rest of the story, this individual eventually lost his business and had to "fire sale" his investment properties.

used to invest in the type of lifestyle you wish to enjoy now and in the future, share with others less fortunate and leave as a legacy to the next generation. Of the options to generate money, my life choice is to be self-employed.

Having a business can be a wonderful adventure or an excruciating journey if you do not have:

1. A marketing plan
2. Quality staff
3. Quality equipment
4. Qualified professional advisors
5. A retirement plan
6. An exit strategy

Recently I've written a book entitled *Make the Leap: from Mom & Pop to Good Enough to Sell* that should help entrepreneurs at the crossroads of building their business, wanting to try something else or wanting to leave a legacy.

Listed below is an excerpt that might help give you some direction as you determine how to best move your business from a small operations to a thriving enterprise that is even good enough to sell:

During a recent interview, I asked columnist Michael Shinn, President of

Financial Network Investment Corporation, "Why are some business owners successful?"

He responded by saying, "Business owners that succeed have answered two simple questions and backed it up with a third.

They have created and articulated a compelling vision of what their business will be in the future. They can see it, taste it and excite others about it."

Next, they have developed a passionate "why" to explain the reason that their business has to exist. The "why" will drive them when the business is at a low point and giving up would be easy to do.

Finally, they have created a roadmap of how they will conceive, develop, and grow their business. As Shinn said, "If this sounds like a business plan, it is, but it has to have personality, passion, energy, excitement, and emotion."

Whether you are a business owner or a working professional, if you develop a strategy, invest in yourself and your business and avoid spending any perceived excess funds unless it's in your spending plan you will most likely find success.



Stay tuned to future *Money Clips* for continued updates on the NC Saves campaign. The Dept. of State Treasurer's website, www.nctreasurer.com, has more information about NC Saves and an opportunity for you to enroll as a saver online. Check it out today!

NC Saves Update



The North Carolina Saves Coalition continues to meet to plan for a statewide launch in September 2005 as part of the Statewide Conference on Financial Literacy and Asset Building. Regional working groups are meeting and the pilot phase of the campaign is underway with pilot sites in many parts of the state including Greenville, the Triad and the Northeast.

Spread the word!

Do you have a friend who would like to know about our events? Please e-mail us at:

Ellen.Richardson@nctreasurer.com

Or call us at 919.508.5164

Please tell us your friend's name, address, phone number and e-mail address.

**VISIT US ONLINE AT
WWW.NCTREASURER.COM**



Upcoming Event

Please join
State Treasurer Richard Moore
for the 2005 Statewide Conference on
Financial Literacy and Asset Building

September 27-28, 2005

At the Friday Center in Chapel Hill

The conference is being coordinated in conjunction with the IDA & Asset-Building Collaborative of NC, EITC Carolinas and NC Cooperative Extension and will include the public launch of North Carolina Saves, discussions about asset building strategies and public policy, trainings for financial literacy and asset building programs, networking opportunities and much more!

The cost of the conference is \$55.00 before August 31 and \$75.00 thereafter. For registration or more information about the conference, visit www.nctreasurer.com or call 919-508-5164.

RESOURCE GUIDE:

Small Business Planning Website List

Association of Small Business Development Centers	Fortune Small Business	Small Business Resources for Women & Business	Small Business Administration	Women's Business Center
The Association of Small Business Development Centers informs, supports and improves the SBDC network, which delivers nationwide educational assistance to strengthen small/medium business management.	This online version of Fortune Magazine provides informative articles on current small business trends, online surveys for small business owners, and an ultimate resource guide for people hoping to start or maintain their own small business.	This site provides online business information and networking assistance as well as a number of resources for setting up, running, and growing a business.	This site aims to maintain and strengthen the nation's economy by aiding, counseling, assisting and protecting the interests of small businesses. This site also provides special interest topics, such as "women entrepreneurs."	The center's mission is to promote economic self-sufficiency for all women of NC through entrepreneurship. The WBC provides one-on-one counseling, business plan development assistance, workshops & seminars and much more.
www.asbdc-us.org	www.fsb.com	www.womanowned.com	www.sba.gov	www.ncimed.com/womensbusiness