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Four Money Mistakes You Might Be Making



Three years after the economic crisis led many Americans to re-evaluate their financial picture, economic uncertainty is still the norm. While there's little you can do about the shaky economy, you can help

stabilize your own finances over the long term by evaluating what you're doing right ... and wrong. There's no guarantee, but avoiding these four money mistakes may help you survive and ultimately thrive in any turbulent economy.

Mistake 1: Jumping on the bandwagon

Are you letting economic news--good or bad--control your financial decisions? For example, are you selling gold because you've heard that prices are at record highs or buying real estate because you've heard that prices are at record lows? Have you decided to pull most of your money out of the stock market because you've seen headlines warning of a possible financial crisis?

Unless you're basing your decisions on your own needs and circumstances rather than on the opinions or actions of others, you can't be sure you're doing what's right for you. Instead of jumping on the bandwagon, take a proactive, rather than reactive, approach to your finances, no matter what economic news you're hearing or what other investors are doing. Revisit your tolerance for risk and your own financial goals, and try to prepare yourself for a variety of scenarios. Avoid basing money decisions on emotion, or you may find yourself facing unanticipated consequences down the road.

Mistake 2: Only saving what's left over

Do you continue to worry that you're not saving enough? Do you routinely rely on credit rather than cash to pay for the things you want or need? Rather than blame your financial inertia on your income, look a bit deeper, because the real culprit may be the lack of financial priorities. If you don't know exactly how you're

spending your money and you haven't set financial goals, it's unlikely that you'll see much financial progress.

Go back to basics by preparing (or reviewing) your budget. If you tend to save only what you have left over every month, you can put yourself on a more disciplined course by having a fixed amount taken out of your paycheck automatically for retirement. Or, you can set up automatic transfers from your checking account to a savings or investment account.

Mistake 3: Not having an emergency fund

One lesson that you may have learned over the past few years is that the job market isn't stable. That's a major reason why one of your savings priorities should be an emergency fund. While it isn't glamorous, this underappreciated workhorse really pulls its weight during hard times. Having cash on hand that you can use for an unexpected expense, or to pay bills if you lose your job, is vital because it can help you avoid having to rely on credit or tap your retirement savings. If you don't have emergency savings to fall back on, a minor money shortfall can quickly turn into a major cash crisis.

Mistake 4: Not asking for help

Even if your finances are in good shape right now, you may be overdue for a checkup. Reviewing your finances is especially important during periods of volatility because it can help reveal potential strengths and weaknesses, and identify changes you might need to make to adjust to the current economic climate. And if you're already in financial trouble, don't let fear or shame prevent you from asking for help. Facing financial problems early may help you make a full recovery. Many creditors are willing to work with you, but this may be much easier while your credit is still good, and while you still have time to turn things around.

1st Quarter 2012

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Women and Estate Planning

Seniors Are Often Targets of Scams

Can reducing my credit card debt actually lower my credit score?



Women and Estate Planning



Statistically, women live longer than men, and women earn less money over their lifetimes than men.



They say men are from Mars and women are from Venus, but is this true when it comes to estate planning? Absolutely. And because women often find themselves in such different circumstances than men, it is even more crucial for them to educate themselves about estate planning, and consult an experienced estate planning professional.

Women tend to live longer than men

Women live an average of 4.9 years longer than men (Source: National Vital Statistics Report, Volume 59, Number 4, March 2011). That means women need their assets to last longer than men do. It also means that wives are probably going to outlive their husbands, so they will likely inherit their husbands' estates, and they will probably have the last word about the final disposition of assets going to the couple's heirs.

Women tend to earn less during their lives than men

Full-time working women earned only 81.2 cents for each dollar a man earned in 2010 (Source: Bureau of Labor Statistics, Women at Work report, March 2011). Further, women work fewer years than men in order to care for home and family, further reducing their ability to save (Source: GAO-04-35, October 31, 2003). Simply put, women earn less money over their lifetimes than men. This means that women must plan to make fewer dollars last longer. It's important that women get sound retirement planning advice.

Most custodial parents are women

Approximately 84% of custodial parents are women (Source: U.S. Census Bureau, Custodial Mothers and Fathers and Their Child Support report, November 2009). Women who are parents of young children need to plan for the continued care of those children if something unforeseen should happen. They also need to determine who will handle the children's property until they are older.

Women are business owners

Women owned 7.8 million nonfarm U.S. businesses operating in the 50 states and the District of Columbia in 2007, an increase of 20.1% from 2002 (most recent statistic available) (Source: U.S. Census Bureau, Facts for Features article, January 26, 2011). Women who are business owners need to protect their assets, and plan for the succession of their businesses.

Women are professionals

Women make up 57.5% of professional and

related occupations (Source: Bureau of Labor Statistics, Current Population Survey, Table 11, "Employed persons by detailed occupation, sex, race, and Hispanic or Latino ethnicity," 2010). Women in professions with high litigation risks, like medicine, law, and real estate, can benefit from asset protection planning.

Women are wealthy

Women control \$14 trillion in assets (Source: Center for Women's Business Research, 2005) and three-fourths of the financial wealth in the United States (Source: womensvoicesforchange.org, July 21, 2011). It's important for women to get sound investment, charitable giving, and tax planning advice.

Creating an estate plan

Regardless of marital status or net worth, women should make important decisions and arrangements today in order to protect themselves, their husbands or partners, and other loved ones in case of incapacity or death.

To create an estate plan, women need to have at least a working knowledge of the estate planning tools that are available, which typically include:

- **Will** -- A will is a written directive that includes instructions about who is to settle the estate (the executor), how property is to be distributed to the heirs, and perhaps most importantly, who will raise the children. Dying without a will means that a probate court will distribute the estate, which might result in family problems and lawsuits. Wills should be reviewed at least every two years, and updated after significant life events such as a birth, death, divorce, or remarriage.
- **Trust** -- A trust is a legal entity where someone, known as the grantor, arranges with another person, known as the trustee, to hold property for the benefit of a third party, known as the beneficiary. The grantor names the beneficiary and trustee, and establishes the rules the trustee must follow in a document called a trust agreement.
- **Durable Power of Attorney** -- A durable power of attorney (DPOA) names family members or other trusted individuals to make financial decisions or transact business on behalf of the person executing the DPOA.
- **Health-Care Directives** -- Health-care directives are instructions about the medical care that would be wanted if conditions were such that the patient couldn't express his or her own wishes.

Seniors Are Often Targets of Scams



Here are a few things that may help you protect an elderly relative from being victimized by a scam:

- **Become familiar with your loved one's finances**
- **Recommend that they have any regular income directly deposited to their bank**
- **Suggest that they consult you or someone else they trust before buying any service or product over the phone, online, or via the mail**



Anyone can fall victim to a financial scam, but seniors tend to be particularly popular targets. Frequently, fraud perpetrated against seniors is not reported until long after the scam has occurred, usually because victims don't realize they have been scammed or know where to report the scam, or because victims are too embarrassed to admit that they have been taken. Nevertheless, it's important for seniors and their family members to be aware of the signs that may point to a fraudulent scheme, and know what steps can be taken to prevent becoming victims of a scam.

Why seniors?

Seniors are a popular target for scammers for a number of reasons:

- Seniors are more likely to own their own homes, have a nest egg that's liquid and easily accessible, and have excellent credit.
- Today's generation of seniors were raised to be kind, helpful, trusting, and polite--perfect qualities for a scammer to exploit, knowing that it's hard for some seniors to simply say "no."
- Age has a tendency to affect memory, and scammers count on seniors not being able to remember important details when reporting a scam to the authorities.

What to look for

Scams targeting seniors often occur in one of three ways--through the Internet, on the telephone, or in person. And just when you think you've heard of all the possible scams out there, scammers will come up with another scheme intended to victimize seniors. The FBI website (www.fbi.gov) has a section dedicated to fraud targeting seniors. The site describes a number of schemes that have been discovered. It's a good idea to check this site regularly to keep updated on new scams. Here are some of the more popular scams that have victimized seniors.

Scams related to health care

There are a number of scams that focus on the new health-care law, health insurance for seniors, and Medicare. These scams may focus on "Obamacare" benefits, claiming that there is a "limited enrollment period," great insurance coverage including drug benefits for a low monthly cost, free medical equipment, low-cost drugs, or free medical tests given at nonmedical facilities like health clubs or shopping malls. To be on the safe side, don't sign a blank insurance claim form, since your insurance company may be billed for items you never received; generally don't do business

over the phone or in person with a door-to-door salesman for medical services or benefits; and call your insurance carrier to be sure that what you're supposed to be getting "free of charge" is actually covered by your insurance.

Telemarketing scams

We've all been subjected to telemarketing, and it isn't always a bad thing. Some products and services are legitimate. However, telemarketing also serves as a way to scam people, especially seniors. Some warning signs that should prompt you to decline the offer include being told you "must act now or the offer won't be good," any offer that seems to be free (except that you have to pay for shipping and handling or administrative fees), the requirement that you provide your credit or debit card information or bank account number, and the suggestion that you "leave a check taped to your front door for a courier to pick up." In any case, if the caller tells you it isn't necessary to check out their company or consult family members or your lawyer, it's probably best just to decline altogether.

Internet and e-mail scams

Seniors' use of the Internet and e-mail is increasing daily, and so are Internet scams targeting seniors. Many such scams are based on getting credit or debit card information for services or merchandise that is never delivered. If you're going to give out this information online, try to ensure that the site is secure and reputable. Depending on the Web browser you use, you may see a padlock icon or some other indication to symbolize that there's a higher level of security to send important personal information, but it's not a guarantee that the site is secure. Also, check out the source of the merchandise or service before buying. It should have a physical address and phone number(s) that actually work.

In another type of Internet scam, people send you an e-mail claiming to be in possession of large sums of money and need you to help them open a U.S. bank account. Often, they ask that you "seed" the account with your own money, and in return, they'll pay you handsomely. Don't believe this promise and don't respond to the e-mail.

Bottom line

In short, as we've all heard before, if it sounds too good to be true, it probably is. If you fall victim to a scam, in addition to reporting it to your local police, you can report it to the FBI through their electronic tip line found at www.fbi.gov.

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Can reducing my credit card debt actually lower my credit score?

Most lenders use an automated credit scoring system to help determine your creditworthiness. The higher

your credit score, the more creditworthy you appear.

One of the factors built into credit scoring systems is your credit card balance-to-limit ratio (the amount of debt you owe compared to your total credit limit for all cards). Lenders like to see ratios indicating you're indebted for balances approximating no more than 30% of your total limit. Generally, if your balance-to-limit ratio is higher than that, then reducing your debt will improve your credit score. But how you reduce your debt can make a difference.

You may have heard that you should consolidate several credit card balances on one card with a low interest rate, then close the paid (usually higher-rate) accounts. Doing so, the claim goes, not only minimizes the risk that you'll "dig the hole" of indebtedness

even deeper, it also reduces your exposure to identity theft through the fraudulent use of inactive open lines of credit.

But if you do this, you could:

- Lower your total credit limit available without lowering your total debt, thus raising your balance-to-limit ratio--and potentially lowering your credit score in the process
- Make your credit history appear shorter by canceling accounts you have had open longest--and a shorter credit history also may lower your credit score

While it makes sense to transfer balances subject to high interest rates to accounts with lower rates (and then concentrate on paying down what you owe), consider waiting to close the paid accounts. Keeping them open may actually improve your credit score by lowering your balance-to-limit ratio (since you'll have the same amount of debt, but a higher total credit limit) while maintaining the longevity of your credit history.



How can I tell if I have too much debt?

It may sound like a bad joke to say that you have too much debt when you find you're unable to borrow more, but there is more truth than humor

in the flippancy.

In determining your ability to repay debt, lenders will examine your debt-to-income ratio. Calculating this ratio can involve a couple of different variations. Your "debt service ratio" compares your total monthly debt payments (including your mortgage payment) to your gross monthly income. Your "debt safety ratio" compares your monthly consumer debt payments (not including your mortgage) to your take-home income.

You will generally qualify for a conventional mortgage if your debt-to-income ratio (including the potential mortgage payment) is 36% or less. Federally guaranteed mortgage programs may allow debt-to-income ratios of up to 41%. And unsecured lenders (like credit card companies) allow even higher debt-to-income ratios--and then charge you higher interest rates to compensate themselves for the potential risk you represent to them.

To be on the safe side, however, your debt service ratio should ideally be 25% or less and should be no greater than 35%, while your debt safety ratio shouldn't exceed 20% and should preferably be 15% or less.

While it can be difficult to live in today's society without incurring debt, it also can be difficult to live with too much debt. Here are some warning signs indicating that you may be too close to the edge:

- You can't maintain an emergency fund to cover 3 to 6 months of normal expenses
- You make only minimum monthly payments on your consumer debt
- You're at or near your credit card limits
- You use credit cards to pay for things you used to buy with cash (this may not be a concern if you're paying off your credit cards every month)
- You take cash advances against your credit cards to pay other bills