

MONEY MANAGEMENT

SMART WAYS TO BORROW MONEY

Reno — Carrying high credit card charges from month to month is one of the most expensive ways to borrow money. The Nevada Society of CPAs says that there are smarter ways to borrow money that will keep interest costs to a minimum and allow you to pay off your debts faster. The options available vary depending on how you plan to use the funds, how much you plan to borrow, and for how long.

HOME-EQUITY LOANS

If you've been haphazardly racking up credit card charges, you can consolidate your debt

by taking out a home-equity loan. You can usually borrow up to 80 percent of your home's value, minus the balance on your mortgage. With interest rates on mortgage loans averaging about half that of credit card rates, a home-equity loan may save you thousands of dollars.

In addition, if you itemize on your tax return, you may also be able to deduct the interest on up to \$100,000 of home-equity indebtedness. Check with your tax adviser to determine if you'll qualify for the deduction.

Finally, keep in mind that when you borrow against your

home, you are essentially putting your home on the line. If you can't pay off your home-equity debt, you risk losing your home.

CREDIT UNIONS

Credit unions provide a number of consumer credit services, including home-equity, automobile and personal loans. Their loan services are restricted to credit union members who borrow money from a pool of funds, comprised in part of money deposited by all of the credit union's members. If you're a credit union member and need a loan, you will most likely obtain a more favorable rate by taking the loan from your credit union than by borrowing from a local bank.

401(k) PLANS

If you participate in a qualified

retirement plan, such as a 401(k) plan, you can borrow against your investment. Generally loans must be repaid within five years and there are limits on how much you can borrow. The benefits: The interest rate is usually one percentage point above prime — which is lower than the interest rate on most other forms of credit — and your interest payments go into your own account.

INSURANCE POLICIES

Certain types of insurance policies can be used as security to borrow from insurance companies. For example, if you own a whole life policy, you can borrow against the cash-value of the policy. The interest rate will generally be lower than that charged by lending institutions.

In fact, the interest rate on loans of older policies can be as low as 5 percent. What's more, you do not need to repay the loan. However, in most instances, it will be beneficial to do so. That's because the amount borrowed is deducted from the death benefit. Also, until the loan is repaid, your death benefit grows more slowly.

GOVERNMENT LOANS

Federal and state governments can be a source of low interest loans for special purposes, such as financing a student's higher education costs or the start-up of a small business. The interest rates on government loans are usually lower than current market rates. For more information about student loans, call the Federal

Student Financial Aid Information Center at 1-800-433-3243. To find out about small business loan programs, call the Small Business Administration at 1-800-UASK-SBA.

KEEP YOUR DEBT IN CHECK

Remember, it's wise to borrow money only for necessities. CPAs say that if you must allocate more than 20 percent of your income to pay off current loans, it's time to stop borrowing and change your spending habits.

Money Management is a public service announcement on personal finance prepared and distributed by certified public accountants. Nevada Society of Certified Public Accountants 5250 Neil Road, Ste 205, Reno.

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used to determine eligibility for some SBA programs.

The SBA offers a wide range of services and programs for small business owners. It focuses its assistance in the following areas: business development, financial assistance, contract assistance, and advocacy.

BUSINESS DEVELOPMENT

Most new businesses fail within a few years of starting. Although there are a number of reasons for this, studies indicate that a major cause is poor planning and management.

The SBA attempts to reduce this problem through its management assistance efforts. It sponsors courses and conferences, provides counseling, prepares and distributes information booklets, and conducts research into the management problems of small businesses.

FINANCIAL ASSISTANCE

The SBA offers a variety of financing options for small businesses. But it rarely makes direct loans to a company. Instead, the SBA is primarily a guarantor - it guarantees loans made by banks and other private lenders to small business clients.

The SBA also guarantees loans to state and local government and private development organizations which are chartered to promote economic growth in specific areas. These development organizations then make funds available to small businesses. To assist small contracts, the Agency also provides bonding assistance.

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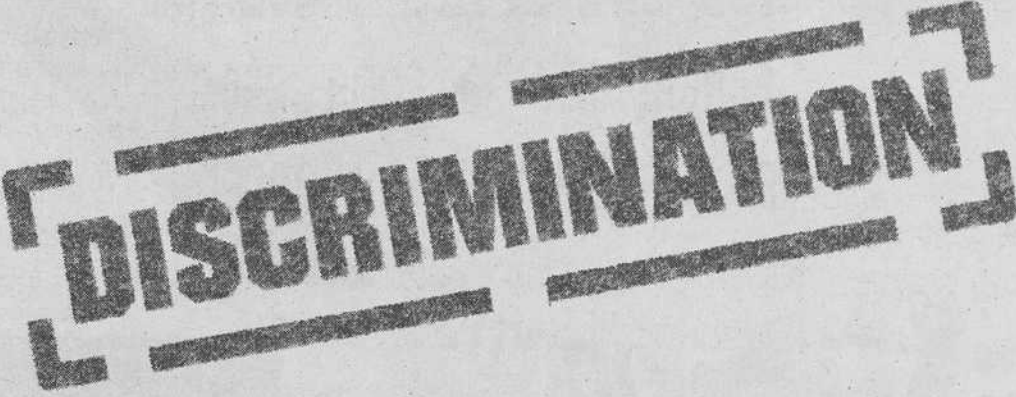
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