FINANCIAL REPORT

Laddered Maturities Can Create Stairway To Regular Income

By Fred T. Snyder

Many conservative investors like to invest in bonds because they can provide a steady stream of income. But sometimes, these investors feel they miss out on opportunities to increase their potential when interest rates rise. If you're looking for a way to increase your opportunity to invest in higher-yielding bonds — while still receiving regular income — laddering maturities may provide one option.

Once a bond is issued, the interest rate is fixed for the life of the bond. However, general market interest rates fluctuate daily. These changing interest rates represent the primary factor affecting bond prices, should you want to sell a bond before maturity.

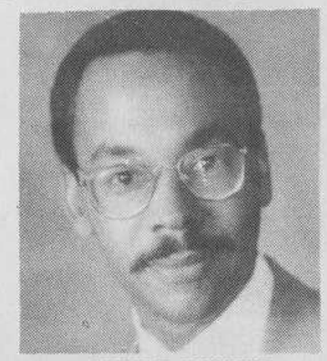
For example, if you have a bond with a fixed interest rate of 8% and prevailing interest rates drop to 6%, you could probably sell your bond for more than you paid for it. On the other hand, if interest rates rise to 10%, you would probably have to sell your 8% bond for less than you paid for it.

In the normal relationship between bond yields and maturity lengths, yields on long-term bonds are generally higher than those on short-term bonds. In addition, because of the greater uncertainty involved in tying up money for longer periods of time, long-term bond prices tend to fluctuate more than short-term bonds as interest rates change.

Enter the "Laddered Maturities" strategy. With a laddered portfolio, you choose a maximum length of maturity for the portfolio, for example 10 years. Then, you invest a set amount in bonds that mature beginning in one year and each year thereafter, ending with the longest maturity for the portfolio (e.g. 10 years). Each year, a bond in the portfolio matures and you can use the proceeds to invest in a bond with the portfolio's maximum maturity. So, your portfolio will always have the same structure.

Because a portion of the portfolio matures each year, you will have an automatic hedge against interest rate moves. If interest rates drop below current levels, you still have higher yields with the longer maturities in the portfolio. If interest rates rise above current levels, you can invest the portion of the bonds that mature each year at higher interest rates. This portfolio strategy has other benefits as well. First, the average maturity will never be more than half as long as the longest maturity of the bonds held in the portfolio. For example, if the longest maturity of a bond in the portfolio is 10 years, the average maturity of the portfolio will never be more than five years.

As each bond in the portfolio matures and is reinvested into a longer-term bond, your portfolio will eventually achieve an average "Yield to Maturity," referring to the annual return on a bond held to maturity, with interest payments and price appreciation or depreciation included. Laddered maturities can help put some consistency and peace of mind into your investing strategy. Talk to a professional investment broker to see if laddered maturities are appropriate for your investment objectives.



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Real Estate Perspective

By Loretta Arrington Hall

Get Your Credit in Good Shape for the New Year! (A Good Credit History is Important)

What if my credit is bad or I have no credit history? I hear this all the time. If prospective buyers have any doubts about their credit history, they should obtain a copy of their credit report through one of the credit-rating agencies listed in the phone directory or obtain one through a mortgage lender. Both services are generally free, if not the fee is very small.

If late payments or nonpayments are listed on the report, the next step is to contact the creditor, make payments if necessary and get the problems cleaned up. If the creditor will not budge, the prospective buyer should explain the situation in a letter that can be attached to the mortgage application. Institutions are often forgiving of one-time periods of poor credit that is unlikely to occur again, such as a sole period of unemployment or a divorce.

The actual credit problem, however, usually must be reconciled and the borrower must be able to demonstrate he or she now has the ability to make regular mortgage payments. Most lenders say that a history of not paying rent in a timely manner can be the most devastating credit problem for first-time home buyers.

In situations where prospective buyers have a questionable credit history, they might need to take a year or two to clean up their credit.

After you have decreased the amount you owe and are able to show a two-year history of making payments on time, you may be ready to reapply for a mortgage loan and begin looking for a home to buy.

On the other hand, buyers with a lack of credit history often can compensate by showing a history of making regular rent, phone and utility bill payments. If you have a problem, take the necessary steps to improve your credit profile and don't let bad credit or the lack of no credit keep you from achieving the great American dream of homeownership! MERRY CHRISTMAS AND MAY GOD BLESS YOU.

As always, please contact a Licensed Real Estate Professional for all your Real Estate needs or write to me, Loretta Arrington Hall, c/o REAL ESTATE PERSPECTIVE, Las Vegas Sentinel-Voice Newspaper, 900 East Charleston Boulevard, Las Vegas, Nevada 89104.

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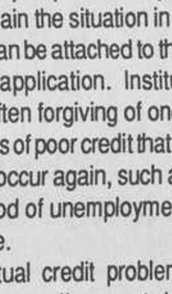

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BUSINESS

MONEY MANAGEMENT

BUDGETING BASICS

Reno— If you're concerned about gaining control of your money and protecting your financial well-being, consider developing a budget. The Nevada Society of CPA's says that effective budgeting can help you balance the needs of meeting current living expenses with achieving long-term savings goals.

Used effectively, a budget enables you to anticipate and plan for all your expenses and avoid unnecessary debt. You needn't be financially savvy to put together a budget. All it takes is some organizational skills, the ability to do some simple arithmetic, and the discipline to record — and limit — your expenditures.

FIXED EXPENSES

To prepare a budget, start with your fixed monthly costs — those that remain constant, such as: mortgage or rent payments, regular installment loan payments, including car loans, student loans, second mortgage, or home equity payments; and tuition costs.

If you have a high credit card balance that you're trying to pay off, you may want to include credit card payments in your fixed expense category.

VARIABLE EXPENSES

Next, record how much you anticipate spending each month on other necessary expenses that vary in amount. These variable amounts include utilities (gas and electric), telephone, water and sewer, heating (if not included in utilities), food, and household supplies. You may need to look at past month's bills to arrive at an appropriate estimate.

DISCRETIONAL ITEMS

Your budget also should include a category for discretionary items, such as charitable contributions, entertainment, vacations, home improvements, clothing, recreation, and hobbies. When developing your budget, plan to set aside money in savings before budgeting for other discretionary items.

Be sure you have three to six months' worth of living expenses in an emergency fund. If you don't have an emergency fund, you should make this one of your short-term goals.

Next, outline other short-term goals — such as a vacation at a resort or new dining room furniture — and long-term sacings goals — such as a child's college education or your retirement — and determine how much you need to set aside each month to meet those goals.

If possible, it's wise to put 10 percent of your income into long-term savings, such as certificates of deposit, Individual Retirement Accounts, or stocks. However, if you have large outstanding debts on which you are paying high interest, it makes better financial sense to settle those debts first and to structure your budget accordingly. Once the debts are reduced or eliminated, you can modify your budget to increase your savings or discretionary spending.

The amount of your outstanding debt, as well as your savings goals, also will affect how much to budget for recreational activivies and entertainment. You may find that you have to budget less for dining out and vacationing in order to pay off your debts or meet a savings objective. However, you should always have some money in your budget for activities that you and your family enjoy. If your budget isn't realistic and doesn't provide some funding for "fun," you'll never be able to persevere.

KEEP TRACK OUT YOUR PROGRESS

When you've completed your budget, review it with your family and then try to stick to it for several months. At the end of that time, you may want to have a family conference to review the progress achieved in meeting savings or other financial objectives. If you've paid off a major loan, achieved a savings goal, or had a significant change in family income, your budget may need to be modified.

CPAs point out that even if you feel financially secure, a budget will help you to keep track of your money and ensure that you are making the most of it.

Money Management is prepared by the Nevada Society of Certified Public Accountants.

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but for small businesses that may not be the best option.

"With a C corporation, you end up leaving a lot of money on the table," said Greene.

There are several reasons. One, with a C-corporation the owners get taxed twice. The business pays taxes when the income comes in, then the owners pay taxes on the amount that flows to them from the business. Two, you have to maintain a significant amount of assets in the business. The question of assets again becomes important during lawsuits. The C-corporation status of a small business without sufficient assets could be stripped during a lawsuit, if the judge feels the only reason for incorporation is the protection of personal assets. If that happens, personal assets would be attached just as if there were a sole proprietorship in place.

There are alternatives. Small businesses could structure themselves as Small-Corporations (S-Corporations), partnerships, limited liability companies or sole proprietorships. Each kind of entity has its advantages and disadvantages that people should be aware of before making a final decision, hopefully with the aid of professional council.

That was one of the points organizer Kim Bailey wanted to get across at the Dec 16 workshop.

"A lot of time when you deal with micro business, we do what people call hustling," said Bailey. "Micro Business saw that there was a void of the expertise of attorneys and accountants."

To address that need, Bailey set up a series of legal workshops with a different attorney each week. She is also setting up an accountant bank and a legal bank to be headed up by Greene.

"I'm looking for the private sector to come in and fund the information process," said Bailey. "You can't give a small business person who can't balance a checkbook a loan for $50,000. You've got to give them the information."

And, people are listening.

"I'll be taking home the basic information for making sure my business has longevity," said Mel Green, 38, an architect.

"I'm here because I want to learn about the business community in Las Vegas," said Cliff Rawles, founder of the Cool Down House. "Eventually, I want to own my own business, and I want to know who to go to."

Said Brenda Whitfield, 30, "It's very informative. The info about the S-Corporation and the legal aspects involved in that are things I need to do."

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