BUSINESS

FINANCIAL REPORT

Knowing the basics of your 401(K)

By Fred T. Snyder

The baby boomers start turning 50 this year, and that milestone reminds them that they have only a few years before retirement. But it should also remind everyone — regardless of age — that you must save adequately for retirement since you won't get a second chance. Today, many people are taking advantage of their companies' 401(K) plan so you realize how valuable it can be to you.

A 401(K) is a retirement plan that allows contributions by both you and your employer. All contributions to a 401(K) — whether from the company or from the employee — grow tax-deferred year after year. You pay taxes only when you make withdrawals from your retirement account. Keep in mind that withdrawals made before age 59 1/2 may be subject to a 10% IRA penalty in addition to ordinary income tax. Contributions to 401(K) retirement accounts can come from three sources:

o Pretax employee contributions. You can contribute a percentage of your salary to a 401(K) account, and your contribution is deducted from your gross salary before taxes. This means that not only are you saving a specific portion of your salary for retirement, but you also save the taxes you would have paid that year on that income. Your contributions are always 100% vested and nonforfeitable.

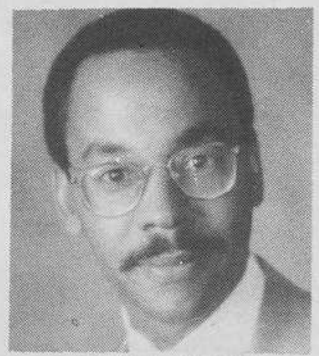
o Employer matching contributions. Your company may make a matching contribution to your 401(K) account. Typically, companies match a predetermined percentage of each employee's pre-tax contribution up to a specified dollar amount. Company plans may vary on legal limits.

o Employer profit-sharing contributions. Your employer may choose to make a profit-sharing contribution to your plan. This contribution usually is in addition to any matching contributions your employer makes.

The 401(K) plan does have some monetary limits. Your annual contribution may not exceed 25% of your eligible compensation (up to $30,000), and your salary reduction contributions are limited to $9,240 (this amount adjusted annually for inflation) in 1996.

Typically, you can invest the funds of your 401(K) account into a preselected group of mutual funds. As the name implies, mutual funds are "mutually" invested in by many investors willing to share in the rewards and risks. Mutual funds also offer investors the basic advantages of professional management, diversification and full-time supervision. Most 401(K) plans offer different types of mutual funds, so you can invest in the ones that may include growth-stock funds, income-stock funds, money market funds and treasury securities funds.

Some corporations also allow their employees to purchase company stock through their 401(K) plan. The reasoning behind this is simple: Since you can have ownership in the



FRED T. SNYDER

company, you will also have a greater incentive to make it grow.

Whatever your profession or stage in life, enrolling and contributing to your company's 401(K) plan can help give you the benefits of securing a more comfortable retirement. Consult a professional investment broker to discuss how this and other investment vehicles can help you exit the "working road" to drive down "retirement street."

Fred T. Snyder, Investment Broker, A.G. Edwards & Sons, Inc.

BofA NEVADA APPOINTS NEW SENIOR VICE PRESIDENT AND VICE PRESIDENTS

LAS VEGAS — Bank of America Nevada recently announced the appointments of four new senior vice presidents and 12 new vice presidents. These appointments were approved by the bank's board of directors. Appointed to senior vice president are Frank Aguilar, regional manager of BA Investment Services, Inc.; Steven M. Evans, manager of the Residential Lending Division; Michelle McLaughlin, manager of Quality of Service and Internal Consulting; and David A. Roush, manager of Private Banking.

Appointed to vice presidents are: Paula Cobb, branch manager of the Oddie branch; Donna D. DePompeis, branch manager of the Flamingo Pinecrest branch; Arlene Jouni, branch manager of the Green Valley branch; Christiaan Kelly, branch manager of the Craig/ Rancho branch; Michael S. Knoche, relationship manager of Business Banking North; Steven W. Kondrup, customer service manager of the University branch; Sharlene Lewis, relationship manager of Private Banking; Kathy McAlpine, branch manager of the Moana branch; Thomas J. Nubel, customer service manager of the Charleston Heights branch; Scott Smithson, product manager of the Northern District; Vincent M. Telles, relationship manager of Private Banking; and James York, relationship manager of Business Banking South.

MONEY MANAGEMENT

Getting the right help from the right tax perparer

RENO — Selecting a tax preparer should not be a decision made casually or quickly. There's more at stake than you may realize. The Nevada Society of CPAs points out that the right tax preparer can help you better understand how tax laws affect your situation, ensure that you don't overlook valuable deductions, and keep you out of trouble with the Internal Revenue Service (IRS). Finding such a preparer doesn't necessarily take a lot of money, but it can take some time, which is why you should begin your search.

YOUR OPTIONS

Keep in mind that there are virtually no licensing requirements for becoming a tax preparer. Almost anyone can hang out a shingle and advertise tax expertise. It's up to you to find out the individual's qualifications and to determine whether the preparer is appropriate given your budget and the complexity of your return.

There are four main categories of preparers:

Commercial preparers — This group is comprised of large nationwide organizations that hire individuals to work for them during tax season. It also includes independent commercial preparers. Although the cost for using these preparers is at the low end of the scale, many of them do not have extensive training. That doesn't mean that they're not qualified to help you — just that they may not be the wisest choice if your tax return is complicated, or if you're hoping to obtain some tax-planning advice for the future.

Enrolled agents— Enrolled agents generally have more training than commercial preparers and are qualified to represent you before the IRS should your tax return be audited. These individuals typically have worked for the IRS as tax auditors for at least five years, or passed a two-day examination on tax-related subjects. However, be aware that their level and range of expertise can vary widely.

Attorneys— Attorneys are a good choice as tax preparers if you have a tax return that is affected by a legally complicated business issue. Typically, attorneys are not involved in preparing the average tax return, but are qualified to represent your interests before the IRS.

Certified Public Accountants (CPAs)— CPAs are the most extensively trained and experienced tax advisers. In addition to preparing your tax return, most CPAs can assist you with other tax issues and help you develop a tax-planning strategy. Like enrolled agents and attorneys, CPAs are qualified to represent your interests before the IRS.

SCREENING PROSPECTIVE PREPARERS

Regardless of the preparer's credentials or years of experience, there are other key issues to address. For example, you need to query a preparer as to what he or she charges for preparing your return, as well as to what extent he or she expects you to be involved in the preparation process. Also, determine if the preparer has experience dealing with some of the tax issues you're currently confronting. Finally, find out the preparer's scope of services. For example, determine if he or she would be willing (and able) to provide you with tax-planning advice as issues arise.

Although there may be situations where it is appropriate for tax preparers to base their fee on a percentage of a tax refund (a contingent fee), you should generally avoid preparers who charge contingent fees for original return preparation. Also, stay away from preparers who guarantee you a refund or are unwilling to sign your return.

GETTING ORGANIZED

Keep in mind that the more you can help your tax preparer, the more you'll help yourself. By providing the preparer with organized records and informing him or her about situations affecting your tax status and liability, you may not only save money, but you'll also help the preparer avoid mistakes.

CPAs point out that while tax preparers are subject to penalties if they understand your taxes, you're also financially and legally responsible for your own tax return. When you sign the return, you assume responsibility for its accuracy along with your tax preparer.

To learn more about selecting the right accountant, send a self-addressed envelope to the Nevada Society of CPAs and request a copy of the brochure, How to Choose and Use a CPA.

Money Management is a weekly column on personal finance prepared and distributed by certified public accountants. Nevada Society of Certified Public Accountants, 5250 Neil Road, Ste 205, Reno, NV 89502.

Real Estate Perspective

By Loretta Arrington Hall

Mortgages Interest ... Great Tax Advantages!

While tax time is upon us, it is never too early to start thinking about the tax advantages of a home mortgage. The interest charged on a home mortgage loan is one tax advantage the government still allows consumers, and it is a hefty one; government officials believe it equates to roughly $75 billion annually in tax breaks.

For the vast majority of taxpayers, the home mortgage interest deduction is a tremendous benefit. It's also a deduction that helps home shoppers afford to buy a home. The IRS defines home mortgage interest as any interest paid on a loan secured by a home, primary or secondary; a mortgage to buy the home, a second mortgage, a line of credit and a home equity loan. To take the deductions, a homeowner must file Form 1040 and itemize home mortgage interest on Schedule A. By the end of January, the lender should have sent the owner and the IRS Form 1098, which tells the interest the homeowner paid during the year and the points he or she paid if the loan was closed that year. The homeowner can then deduct that interest and the points from his or her taxable income.

With many new mortgages hovering over $100,000, the typical taxpayer could easily have a $10,000 or more mortgage deduction in the early years of a loan. Homeowners can also deduct the interest on any home equity loan up to $100,000. The deduction still applies even if they use the loan money for non-home related expenses. Total points paid in the tax year they bought their home is also deductible.

In closing, a homeowner tax benefits don't stop with a mortgage; the owner can also deduct any real estate taxes paid on a house in a given year from your gross income to lower his or her tax bill. It pays to be a homeowner.

For more information on the many tax advantages you have as a homeowner, ask the IRS for Publication 936: "Home Mortgage Interest Deduction" or simply consult an accountant, attorney or tax advisor.

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 Blvd, Las Vegas, NV 89104.

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