BUSINESS

Make retirement funds safe now

By James Hart
Special to Sentinel-Voice

"Man can live and satisfy his wants only by ceaseless labor; by the ceaseless application of his faculties to natural resources. This process is the origin of property. But, it is also true that a man may live and satisfy his wants by seizing and consuming the products of the labor of others.

This process is the origin of plunder. Now, since man is naturally inclined to avoid pain — and since labor is pain in itself — it follows that men will resort to plunder whenever plunder is easier than work. When plunder becomes a way of life for a group of men living in society, they create for themselves, in the course of time, a legal system that authorizes it and a moral code that glorifies it." The Law, Frederic Bastiat, Economist & Statesman (June 1850).

To cover-up their failed economic policies, corruption and prevarication, U.S. politicians have decided to "plunder" your retirement money. The heist has just begun.

In mid-November 1995, interest payments of $25 billion came due on an assortment of government Treasury bills, bonds and notes.

The government didn't have the money because they had reached their debt limit of $4.9 trillion (set by Congress) and therefore, couldn't borrow it. Consequently, U.S. Treasury Secretary Robert Rubin, under questionable authority, resorted to plunder and dipped into two employee trust funds for civil service pensions and paid the government's debts. At the time, Rubin said, "This is no way for a nation to manage its financial affairs."

However, by March 1996, he had taken $61 billion from civil service employee pension funds and replaced the money with non-interest bearing IOUs. Moreover, no date has been set to pay this pension money back.

Subsequently:

• Connecticut has plundered more than $600 million in pension contributions scheduled for 1996-2000 to balance its budget.

• New Jersey has used $2.4 billion in pension funds to cover promised income tax cuts.

• Millions of dollars have been improperly withheld from employees' retirement and savings plans.

In fact, the U.S. Labor Department expects more than 1,700 companies to use a six-month amnesty period to repay millions of dollars improperly withheld from their workers' 401(K) pension plans.

Worse, Labor officials are afraid that these violations may be more wide spread.

Lynn Dudley, vice-president of the Association of Private Pension and Welfare Plans said, "People are scared and say, 'I won't give them my money.'"

The Wall Street Journal, in an editorial titled, "The Ultimate Raid," identifies Assistant Treasury Secretary for Economic Policy and Federal Reserve Nominee Alicia Munnell as the architect of the coming attack on your retirement benefits.

In her report, "Current Taxation of Qualified Pension Plans: Has The Time Come?" Munnell attacks the tax deductibility of pension

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Deductions key to saving on taxes

Special to Sentinel-Voice

Tax planning should be a year-round activity. But, if you didn't get around to doing all you had hoped, it's not too late to improve your tax life.

The key is to do a thorough job of identifying deductions so you don't miss opportunities to save tax dollars. To help you get started, the Nevada Society of CPAs offers the following list of DOs and DON'Ts for making the most of deductions available to you.

Do deduct interest you pay on home equity lines of credit. Although personal interest is no longer deductible, you may deduct interest on up to $100,000 of debt secured by your house, regardless of how you use the money.

Do deduct all state and local taxes you paid in 1998. Also, if you bought or sold a house, be sure to deduct the portion of the year's real estate taxes you were charged on your closing statement. It's easy to forget this deduction because you don't write a separate check — the taxes are deducted from the sales proceeds or included in the amount you pay at settlement.

Do deduct investment interest. If you borrowed money to buy investments, the interest is deductible as investment interest — limited to the year's net investment income.

Do claim a deduction for transportation cost and out-of-pocket expenses you incur in connection with charity volunteer work. The cost of mileage, telephone calls, and supplies, such as stationery and stamps, are all deductible. If you failed to keep track last year, be sure to start a tax-deduction diary this year.

Do deduct your health insurance premiums if you are self-employed. For 1998, you may deduct 30 percent of the premiums you paid. This amount will increase to 80 percent over a ten-year period. The deduction is treated as an adjustment to income, so you get the tax benefit whether or not you itemize. Keep in mind that the deduction is limited to the earned income from your business.

Do deduct half the self-employment tax you pay if you are self-employed. This amount is also deductible as an adjustment to gross income on your Form 1040. According to the IRS, this is one of the most frequently overlooked tax deductions.

Do deduct early withdrawal penalties when you cash in a Certificate of Deposit or other time deposits before maturity. You can deduct the penalty even if you do not itemize your deductions.

Do claim a child care credit if you paid someone to take care of your dependent child so you could work. Depending on your income, a credit percentage of 20 percent to 30 percent applies to your expenses of up to $2,400 for one dependent child and $4,800 for two or more dependents. The credit is phased out for

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Bad credit doesn't spell doom

Special to Sentinel-Voice

Real Estate Perspective

By Loretta Arrington

Licensed Real Estate Broker

"What if my credit is bad or I have no credit history?"

I hear this all the time. Good credit is important, however, if your credit is poor, there's hope. 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 are 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 credit keep you from achieving the great American dream of homeownership!

As always, please contact a Licensed Real Estate Professional for all your Real Estate needs or write to me c/o Real Estate Perspective, Las Vegas Sentinel-Voice Newspaper, 900 East Charleston Blvd., Las Vegas, Nevada 89104 or E-Mail me at griot@vegas.infi.net.

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