



Ms. Biz Newsletter

NEWS

*Ms. Biz
with all
the biz
a Ms.
needs
to know in
personal
finances
and in
life.*

December Wealth Tip

"Bring ye all the tithes into the storehouse... and prove me now herewith, saith the LORD of hosts, if I will not open you the windows of heaven, and pour you out a blessing, that there shall not be room enough to receive it " (Malachi 3:10). Give, and it will be given to you. A good measure, pressed down, shaken together and running over, will be poured into your lap. For with the measure you use, it will be measured to you" (Luke 6:38).

Generous tithing is sharing one's experiences through benevolence to others; it is a secret most cannot comprehend, and whose deeper context escapes understanding. Tithing, joyously, erodes the selfish nature of man, and denys the illusion that finances are finite. Whether it be to a church, or other organization, tithing actually creates resources – not erodes them. All the reasons you set up in your mind for why you cannot give, bills, repairs, etc. – they dissolve like the fog on a summer day when we give joyously our tithes and offerings. Why? Because we create money, not compete for it, and if we are creating wealth, there is enough to share with others. Tithing is a secret few realize the potential of but it works! Try it for 90 days beginning this holiday season and see if it doesn't work for you. I promise you will be amazed at how your "storehouse" increases even as you give with grace to others.

Preserve Your Retirement Savings

After a tough financial year, it may be tempting to think of borrowing to maintain your lifestyle and pay for Christmas this year, rather than cutting back on expenses. You may even be eyeing funds in your 403(b), 401(k) or other retirement plan account. Taking money from retirement savings accounts is rarely a good idea. The assets in these accounts will be your primary means of generating income after retirement. If you withdraw savings now, you may be forced to make some unpleasant choices down the road, such as living on less after you retire or being forced to supplement your savings by working during retirement (minimum retirement age – 67).

Before you take a loan from your plan account, make sure you understand the consequences of your actions. That is not to say there are no legitimate reasons to do so — but tapping retirement money to keep up with material possessions or gifts for the kids is not a viable option.

If your retirement plan allows it, taking a plan loan lets you access the money in your account without incurring penalty taxes — as long as the loan is repaid in a timely way. However, there are drawbacks:

- You may fall behind in saving for retirement. The loan repayments, which often are made through payroll deduction, may make it difficult to continue contributing to the plan.
- You are giving up the tax-free compounding of the money you withdraw, which could significantly reduce your retirement nest egg.
- Your account may grow more slowly if the interest paid on your loan is less than your savings would have earned if they had remained invested in a tax deferred account.
- You may be taxed twice because loan repayments are made with after-tax dollars. These dollars will be taxed again when withdrawn from your account after retirement.
- Plan loan interest is not tax deductible like the interest on mortgages and home equity loans.
- If you don't repay the loan, you will owe income tax — and a 10% early withdrawal penalty if you are under 59½.

If you truly need funds for a significant financial emergency, tapping your retirement account might be a legitimate choice. But even then, it is still best to think of such a loan as a last resort. First explore what nonretirement sources you can access, such as securing a home-equity loan or taking funds from a low-interest savings account. If current market conditions have you looking toward your 401(k) or 403(b) for relief, let's evaluate all of your options so you can make an informed decision.

Call me today to learn more at 972.831.8866.

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