



# THE BARROWS SOLLENBERGER GROUP, PC

Helping our clients acquire, grow & preserve family wealth in a tax efficient manner.

Summer 2010

## Our Mission

Help our clients make and keep their money.

Ensure our clients achieve their financial goals.

Serve our clients in an efficient and timely manner.

Exceed our client's expectations daily.

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## *A Message from the Partners -*

We want to thank you for allowing us to help you navigate the financial battlefield and appreciate the opportunity to be your guide.

Please join us for a client appreciation event on Sunday afternoon, September 19th.

## Gettysburg Battlefield Tour

Witness the Gettysburg Battlefield while traveling over the historic fields of Gettysburg on a coach bus with one of the area's experienced guides.

**Then enjoy a flavorful picnic lunch!**

Please reserve your seats by [September 7, 2010](#) by calling Beth or Amy at 717-267-3572. (Space is limited)

After the tour there are other local attractions that you and your extended family may enjoy, like viewing the Peace Light Memorial after dark, local winery, and fine dining that you may want to take advantage of at your own pace. **Don't forget about the Ghost Tours!**



## Let's Talk Trash!



We are making an effort to reduce our environmental footprint and we hope you will want to help us.



We invite you to receive our newsletter via email. Please call to confirm your email address or email [bweimer@bsgwealth.com](mailto:bweimer@bsgwealth.com) with the address you would like it sent to, so that you can help us in making our planet a better place for our children and everyone's future.



## THE TOP 10 REASONS **NOT** TO PLAN FOR RETIREMENT

*You have probably read or heard about some “Top Ten” list nearly every day. But take a moment to read this one. This list is different.*

**Reason #10: “I’m too busy”** - I can’t tell you how often I hear this excuse. So many people want to plan for a better retirement, but they don’t have time. They think they’ll take care of it tomorrow, or the day after that, and before they know it, several years have gone by.

**Reason #9: “It’s too soon”** - I don’t know how this happened, but many people have adopted the notion that you don’t have to start planning for your retirement until you’re almost there. This is totally incorrect. The truth is, the sooner you start planning, the better chance you stand of having the kind of retirement you want. It’s never too soon.

**Reason #8: “It’s too late”** - If you’re already near or past your retirement eligibility date, you may think that whatever you’ve got is what you’re stuck with and it’s too late to do anything about it. Think again. Even if you’ve already retired, it’s important to consider how you’re receiving income and how long it will last. It’s never too late to revise your income distribution strategy.

**Reason #7: “I don’t need to”** - I’ve heard this excuse many times and it always baffles me. Many people think that because they’ve been diligent about contributing to a savings account, they’re all set. While saving for retirement is good, you also need a plan for income distribution once you enter retirement. Are you certain that what you’re saving will be enough? Have you considered your distribution plan? What about taxes? What about inflation? And are you sure your money will be properly invested?

**Reason #6: “I don’t have enough money to get started”** - This excuse seems marginal at first glance, but there is some truth behind it. You need to have money to save or invest money. However, unless your bills are exactly equal to or greater than your net income, you DO have enough to get started.

**Reason #5: “My finances are a mess”** - This is all the more reason to seek out an advisor who can help you sort through and understand your assets. Perhaps you have a 401(k) from a former employer that has not been rolled over, a couple of savings accounts, a trust from a deceased relative, some stocks that your parents bought in your name when you were younger ... a circumstance like this can be confusing, but leaving it as it is won’t improve the situation. Consider speaking with Denise Barrows who can look at your complete financial picture, help you understand it, and help you develop a plan to make your “financial mess” work for you.

**Reason #4: “The Government will take care of me”** - The bottom line is this, there’s a chance Social Security may not be available when you retire, and even presuming it is, it may not be enough to provide your ideal retirement income. If you’re planning to retire on Social Security alone, I would advise you to create a back-up plan.

**Reason #3: “Between my savings and my 401(k), I’ll be fine”** - Saving for retirement without an income distribution plan can be a mistake. How will you use that money once you have it? And while you may think you’ll have everything you’re going to need, have you considered inflation? Taxes? Some people are living past 90. Will your assets last that long? If you outlive your income, what then? It’s a good idea to look ahead and plan lifelong income.

**Reason #2: “I don’t want to think about it”** - Many people procrastinate simply because the thought of discussing financial matters (or growing old) is unappealing. I can certainly understand that. But consider this ... if you bite the bullet now and put a firm plan in motion, you may not have to think about it again for quite some time.

**Reason #1: “I don’t know how”** - If you knew everything there was to know about financial planning, you’d probably be a financial advisor yourself. While it is possible to do everything on your own, that generally involves a great deal of research and a huge time commitment. If you’re putting off retirement planning because you don’t know how, consider speaking to a professional who does.

These are just some of the reasons why people don’t plan for retirement ... but these are reasons, and not excuses. If you have retirement goals you want to reach, [call 717-267-3572](tel:717-267-3572) and speak with Denise Barrows to set up an action plan. **The sooner the better.**

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## Business vs. Hobby Losses

An individual who conducts an activity as a for-profit business is allowed to deduct expenses that are ordinary and necessary in carrying on the trade or business. If expenses exceed income, the loss is deductible against other income (such as wages, interest, dividends, etc.) However, if a loss is attributable to an activity not engaged in for profit, the loss is not allowed as a deduction against other income.

Here is a list of facts and circumstances that the IRS uses to assist in evaluating whether a loss is deductible.

### Facts and Circumstances Test

1. The manner in which taxpayer carries on the activity.
2. The expertise of taxpayer or advisors.
3. Time and effort spent by taxpayer in carrying on the activity.
4. The expectation that assets used may appreciate in value.
5. Taxpayer's success in other similar or dissimilar activities.
6. Taxpayer's history of income/loss with respect to the activity.
7. Amount of occasional profits, if any.
8. Financial status of taxpayer.
9. Elements of personal pleasure or recreation.



## Credit Card Fees: The New Traps

### Law Allows Some Aggressive Lender Tactics to Continue

**A** new federal credit card law that took effect in March 2010 could erase billions of dollars a year in fees and interest charges paid by consumers.

The law made some important changes. Card companies must now tell customers how long it would take to pay off the balance if they only make the minimum monthly payment. Customers can exceed their credit limit only if they agree ahead of time to pay a penalty fee. And unless a cardholder misses payments for more than 60 days, interest-rate increases will affect only new purchases, not existing balances.

Banning these and other profitable tactics is expected to cost the card industry at least \$12 billion a year in lost revenue. This has sent the industry scrambling to find new sources of revenue. So get ready for

**Card issuers already are deploying new tactics that could prove costly for even the most cautious cardholder.**

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# BIG Changes Come to Student Loans



Buried deep in the package of health care reforms that became law March 30th are provisions that promise to shake up the student loan industry.

The changes will raise more than \$60 billion over the next 10 years, with the savings being spent on more and bigger grants, and easier repayment terms.

All colleges will arrange for all students to take their federal Stafford loans directly from the government. Undergraduates will be eligible for Stafford loans of at least \$5,500 and up to \$12,500 at a rate not to exceed 6.8% a year.

Students who qualify as “needy” will be eligible for Stafford loans up to \$20,500 at a rate not to exceed 6.8% a year.

Starting July 1st, this bill will make it easier for parents to borrow PLUS funds. The PLUS funds rate is 7.9% a year, while private lenders often charged as much as 8.5%.

The student reform bill will make it easier for future graduates to pay back their student loans. Starting with federal student loans taken out in 2014, future graduates will be able to sign up for an “income-based repayment” plan that will cap their monthly payments at 10% of their income. Anyone paying back federal student loans now can sign up for the current program that caps payments below 15% of income.

## Credit-Card Fees: The New Traps

*(Continued from page 3)*

higher annual fees, higher balance-transfers charges, and growing charges for overseas transactions.

The biggest new tactic may be one of the oldest: raising rates. As long as credit card companies inform you ahead of time and don't make any sudden rate changes, they are mostly free under the law to change whatever they want. They can raise the rate on new purchases made as long as they provide 45 days notice that they are doing so.

### AFTER FEB 22, CREDIT CARD COMPANIES CAN STILL:

Despite the new federal regulations, credit-card companies are still looking for ways to raise the fees you pay on your card.

- Raise interest rates on new cards.
- Impose annual fees on new cards.
- Increase teaser rates on balance transfer offers.

### THINGS CONSUMERS CAN DO FOR THE BEST DEAL:

- Ask the credit card company to review your account to see if they will lower the rate. As of August, companies will be required to conduct such a review every six months.
- Check out credit unions and small banks for lower interest rates.
- For those who don't carry a balance, consider a card with an annual fee (such as an airline-branded credit card) because they may have the most lucrative rewards. Those who carry a balance should opt for lowest interest rate and forget about rewards.