

“Every morning I get up and look through the Forbes list of the richest people in America. If I’m not there, I go to work.” Robert Orben

The Kids In Congress Are Already Arguing...

Well, it’s time for some budget fighting in Washington. Now, as I relay back to you what’s going on in Washington, and my opinion of it, PLEASE understand that I am NOT making any political statements or expressing opinions based on my support for one party over another. My comments are ONLY based on my trying to understand what they’re doing up there in the Capital...and how it affects you and your financial future!

My loyalty lies not to politicians or parties, it lies with YOU. Because of this, I MUST pay attention to what the politicians are up to, and what they end up changing. And yes, I happen to think that many of the decisions they make that affect all of our lives are boneheaded and outrageous. Please notice that I say “they”, meaning ALL of them, taken as a group. I am truly neutral in my political feelings. I happen to think common sense is more important than any political ideology!

If I seem sarcastic at times, it’s because I AM sarcastic at times. See, I have to live with the fallout that arises when these politicians make decisions that they either don’t know much about, or don’t think through. So, sarcasm is my weapon to help myself, and YOU make decisions...and keep a good humor about what we do!

Let me give you a quick example. A few years ago, Congress passed a law that **made it illegal for a senior citizen to make gifts to family members within three years of applying for Medicaid.** (When a person gets sick and needs nursing home care, and they don’t have enough money to pay for it, Medicaid pays. But, in order to prevent people from gifting away all their assets, and get the state to pay for their care without contributing their own money they gifted away...gifts made within three years of applying for Medicaid used to be disqualified transactions, but were not illegal in any way.

Then, some “genius” proposed making gifts within the three year period a felony! Why not turn these older citizens into criminals, they said? Well, when this law passed, it drove us crazy. See, under this obscene law, if a healthy grandma made a gift to

her grandson for college, or whatever, and then, two years later, she had a stroke, requiring long term nursing home care...she was now a felon! Even though, at the time she made the gift, she was healthy, and didn’t know she was going to have a stroke in two years. Her “crime” caused by applying for Medicaid had occurred at a time when she didn’t know she was committing a felony, two years earlier! Besides the cruelty of this law...it flies in the face of everything America and the Constitution stands for!

How can an act not be a “crime” when you “commit” it, and only turn into a “crime” years later, when you get permanently sick? *It was sick!* I hated this law, and made no bones about it. So did many of my fellow financial professionals. I was not alone in my criticism of this hideous law. Now, I wasn’t picking on the Democrats, nor was I picking on the Republicans. No, I was picking on ALL of them for passing such a draconian law. ALL of them deserved to be kicked in their collective butts! (The best part of this story was that the outcry from publications such as this one, along with many other grass roots protesting succeeded in getting this law repealed!)

Now, I have no idea how much or little good my public complaining in this newsletter did, but I have heard that the politicians were getting tons of complaints from their constituents who were reading things about this law...and as a result, the Congress repealed the law barely a year after it was passed! So, never underestimate the power of the written word to educate and enlighten. And that’s what I want to do with this publication each month. Educate and enlighten. And if it requires revealing some of the ugly underbelly of the Congress, then so be it.

Anyway, back to this annual budget fight going on now on both sides of the aisle. This time, President Bush has put forth pretty controversial proposals, including some that would strengthen the Internal Revenue Service’s ability to pursue tax cheats, rich and poor alike, in a \$2.23 trillion budget for 2004 that he sent Congress.

The proposals sent to Congress in President Bush’s plan project record deficits of \$307 billion this

year...and \$304 billion in 2004...along with proposed tax cuts. That is the budget deficit the administration is projecting. I have my own doubts about this being the real deficit figures. Why?

Well, because during the prior two decades of budget deficits, before we got into that short time of budget surpluses that came with the tech stock bubble, and went pretty fast after 09.11...I have NEVER seen them actually report the REAL deficit. Never. Either party. No matter who's in the White House.

See, they can, and do use some Enron-like accounting to "cook" the federal books, making the deficits look much smaller than they are.

One of their favorite ways to do this is to bury billions of dollars in expenditures by "borrowing" the money out of the Social Security Trust Fund...using the "borrowed" cash to pay for whatever they want to spend that's in excess of what they're supposed to spend. As a result of funny accounting practices like this, the annual deficits are much larger than they say they are...and thus have left the Social Security Trust fund void of anywhere near enough money to cover the MILLIONS of baby-boomer retirees who will be expecting their Social Security checks.

Where's the money going to come from to pay out this multi-trillion dollar debt to the workers of America who've paid in their hard earned money to the system their entire working lives? I know the answers are not good, and they'll likely bail it out alright, but at the cost of even MORE taxes, and/ or higher inflation resulting from the printing of trillions of dollars of money out of thin air! (As a separate note, you might have noticed that the Social Security fund is a *Trust Fund*. Meaning that the money in it can ONLY be used for the purpose established at the time the Trust Fund was set up. Hmmm. If you or I "borrowed" money out of a Trust Fund, we'd go to jail. Hmmm.)

Anyway, back to today. As you would expect, the budget deficits have become a political battleground between Mr. Bush and Democrats. The President's budget would begin with a fresh round of tax cuts, slow the growth of federal agency budgets to an overall 4 percent, and use \$400 billion over the coming decade to overhaul Medicare by adding prescription drug coverage. In addition, Mr. Bush's proposed budget would give the IRS a boost to reduce

fraud, audit more returns, and gather added information on people before they apply for the earned income tax credit, which provides benefits to lower-earning Americans. More than \$13 billion in unpaid taxes are going uncollected because the IRS lacks the resources to pursue them, the Treasury Department said. In addition, the department believes that up to \$9.9 billion in earned income tax credits were paid in error. And, in 2001, only 0.58 percent of all taxpayers' returns were audited, according to IRS data. That included audits of 0.69 percent of those from people earning more than \$100,000 annually, and 0.4 percent of those making below \$25,000.

There's also a proposal to send more funds to the Securities and Exchange Commission underlining the ongoing political sensitivity of last year's scandals involving Enron and other major companies found to have used misleading accounting.

Democrats said they supported the concept of going after people who cheat on their tax returns, but were critical of the plan already. Renewing their charges that Mr. Bush has revived huge deficits and done nothing to contain them, Democrats noted that even before the crash of the space shuttle Columbia, the White House had not sent any officials to sell the plan on the Sunday news talk shows. "They don't want to talk about it," said Sen. Kent Conrad, D - N.D., top Democrat on the Senate Budget Committee. "Believe me, they know none of this adds up."

So, once again, the picture doesn't look too rosy. The politicians are fighting like little kids, and our economy becomes more and more uncertain. No matter who you believe, or believe in...we're going to be facing MASS deficits that they admit, hidden deficits they don't...and a continued assault on our retirement security! The ONLY answer is planning. Planning for yourself, planning for your family, both now and in the future...is the only weapon you have to fight this eternal problem! If you haven't started or reviewed **your** financial planning for 2003, DO IT NOW! REMEMBER- WE WANT YOU TO CONTACT US WITH YOUR "HERE'S WHAT WE'RE THINKING ABOUT DOING QUESTIONS", NOT YOUR "GUESS WHAT WE JUST DID!" COMMENTS!



Financial Tip Of The Month...

How to get more out of your frequent-flyer miles!

There are many ways to earn frequent-flyer points: through credit and debit cards, long distance calls, and even grocery store promotions. How to use them is the problem. The publisher of InsideFlyer.com says there were 7.9 trillion unused miles at the end of 2001, Though figures aren't in, there will be far more unused miles after 2002. Fewer award seats are available than ever before, but you can still get a great reward. Here's how to do it.

- * Spend more miles on a ticket. There are only two to 20 seats on a flight available for rewards of 25,000 points. If you volunteer 40,000 points, all seats are available. On a \$300 ticket, you have earned only 1 1/4 cents per mile as opposed to 2 cents, but that's more than you get for merchandise.
- * Don't convert hotel points for airline miles. In a Hilton or Marriott you get much better value at the hotel.
- * Reserve a seat six months ahead of time. If you are flexible, don't reserve at all. Within two weeks of a flight, airlines release more free seats if there is room available on the plane.
- * Try to plan ahead, and spend the miles on high ticket priced seats, such as first class, and/or long trips like from the mainland to Hawaii, or from the US to Europe, Asia, Australia, etc. Many times, you can find that you can get a \$70-\$1,000 ticket for free instead of using the miles for a \$200 ticket.
- * Don't spread your business around. Get points from one airline or one hotel chain. Many frequent flyers don't earn enough for a reward because they fly on many carriers instead of only one.

Also, you may want to consider using a credit card that issues miles for using the card...as long as you plan on paying off the card balance in full each month! Keep in mind that it is not advisable to charge things to get miles...if you are going to get socked with 10-20% non-deductible interest expense...when you're only getting somewhere around the equivalent of 1-2% "rebate" so-to-speak, with the miles you receive from using the card!

Also, another tip. If you do have the money to pay for one or more big purchases, see if the merchant will accept a credit card for the purchases, charge it on your card to get the miles...and then send the money in to pay for the items charged! We've had clients even charge the down payment on automobiles, cabinets and appliances for remodeling, large electronic items like HDTV big screen televisions, etc.!

Please keep in mind that this tip is designed to be of help for you, but is not to be relied upon as advice. It is merely a reminder that there are many choices you have available to you, and that planning is the only way to find the right answers for your situation! As with any financial issues, make sure you get the right information before making a decision! If you have any questions, especially about how to reduce your income taxes...we'll be glad to help you!

SUCCESS STORY OF THE MONTH!

(Note: The details of these stories have been changed to maintain confidentiality, and some compilations are used to accomplish anonymity.)

"If things go wrong, don't mind it. For each day leaves behind it, a chance to start anew!" ~ Gertrude Ellgas ~

Just In The Nick of Time!

Peter, who was a fairly high level executive at a small company, was referred to us by his brother, who had been working with us for several years. Peter had just recently been divorced (actually, a very messy divorce) and was having a difficult time making the transition to being a bachelor. At 44 years old, getting into the dating scene was kind of tough.

Peter had always been a very strong person who never let anything get him down. In fact, he liked challenges, and used to thrive in any situation where he had to face a challenge...and rise to the occasion. Getting divorced from his wife Cindy however, was something quite different. They had been married for over 20 years, (they met in college) and had three children, one of

whom was a junior in college, and doing real well as a volleyball player. The other two children were finishing up high school. All three were what you would basically describe as good kids.

When Cindy announced that she was leaving Peter, (actually hit him over the head with a sledge hammer would be a better description), he was devastated. That was over a year ago, and when he came in to see us, his divorce had just been finalized.

In fact, not everything in Peter's life was going badly. His financial situation wasn't too bad at all. You see, he had started working for this company when he had just left college, and they were just a small start up operation. Now they have over 5,000 employees, offices all over the United States and in three foreign countries, and he was near the top of their "food chain".

When he first started working for the company, Peter was given the choice of taking some raises in the form of current salary, or, taking stock options in the Company. (Betting on the Company's future, a popular form of compensation for executives of start-up companies as you may know from the dot.com, Enron, WorldCom disasters, etc.!))

At that time, Peter made what is now easily seen as the wise choice. He chose the stock options instead of the raises. These were given to him at little or no cost. By the time Peter came in to see us, the value of the stock options was well over \$1 million dollars - \$1,356,000 to be exact!

Because Peter's divorce had been finalized before he came in to see us, we didn't feel too good about pointing out that the way his assets had been split up during his divorce was certainly to his disadvantage. He had been using an accountant (a friend that he had gone to college with) to handle most of these divorce issues. He also used an attorney who didn't really specialize in complicated tax issues.

You see, Peter was given more than just the emotional shaft by Cindy.

Her attorneys and accountants did an excellent job of making sure that Cindy's tax situation, after the split, left Peter holding the bag for all kinds of income taxes due. Taxes which should have probably been split 50/50...as opposed to Peter bearing the whole burden.

If he had known then, what he now knows after working with us, he wouldn't have had those kinds of problems. In fact, people getting divorced should always understand that there are many, many tax issues that can be resolved, and can end up being quite fair...or can end up being quite unfair, as in this case. Most people don't understand how complicated this stuff is, and how many ways it can be worked out.

In Peter's case, he got the worst end of the deal.

Now here's the problem with the stock options. Peter has \$1,356,000 + in stock options, and he had considered exercising them to get some money. (He suddenly finds himself in need of money for some strange reason.) Amazingly, his company's stock price, while lower than it was a couple years ago...has held its own, and is only down 10% from its high price back in 2001!

Anyway, in order to do that, the tax consequences will be as follows:

If Peter would exercise the options and sell them, he would owe approximately \$596,000 in income taxes. Yes - you read that right! \$596,000 in income taxes! In fact, if he hadn't come in to see us, he would have been nailed to the wall with these taxes. (Thank GOD he came in to see us when he did!)

We, of course, immediately told him to stop. We wanted to understand his reasons for selling these options. We suggested that he do a plan, so that he could take stock of his whole situation (no pun intended) and see just what he needs to do in all financial areas...and then decide the best thing to do with these options, in conjunction with everything else.

As it turned out, he didn't really have any kind of a plan. He was just going to exercise these options, because he felt that the company had reached its potential, especially with all the uncertainty out there now-a-days with 09.11, Orange Terror Alerts, war looming in the near future, etc. In fact, he was thinking about leaving the company to try to go into business for himself.

Well, we put a plan together with Peter, and we were able to show him a lot of things. We showed him things like how to:

- Sell part, or all of the stock...*without paying any income taxes at all!* (Totally legally, of course!)
- Receive income from the sale of the stock, when he wants, and only when he wants! (Thereby deferring taxes on income he doesn't need right now.)
- Three ways to get legal tax deductions for things he was doing before without getting any deductions! (His accountant didn't tell him any of this!)
- Protect his assets, so no one would have much of a chance to ever get at his wealth in any kind of lawsuit or legal action!

So, as you can see, Peter was able to save almost \$600,000 in income taxes that he otherwise would have wasted. Peter is able to maintain the use of those assets for the rest of his life, and he has a plan for himself so that he can move into the future, confident and with a solid foundation underneath him!

No matter what Peter does, he will be okay. With the emotional scars that the divorce has caused him, we sure like to see the look on people's faces when they know they can look to the future with confidence, with assuredness and feeling really good about what the future holds for them...financially speaking, anyway.

If you are interested in learning more about how you can save money in taxes, or other expenses you might be overpaying for...or want to sit down with us and have your plan reviewed or updated, give us a call! We're here to help you, and to help you keep on track with your planning. Don't be a stranger. Call us, and we'll assist you in having the best shot possible of reaching your goals, and having peace of mind! Don't wait until it's too late!

Did You Know...

(Our monthly feature of tidbits of news and info to make your life easier, your money work harder and so you're healthy all the time!)

Did you know...

1. *The fat burn! The more intensely you exercise, the more calories you burn, but the opposite is true for burning fat, say doctors at Texas A&M University. * A fast walk burns only 319 calories per hour, but 60 percent are from fat. * A very slow run burns 655 calories per hour, and 25 percent are from fat. * A slow run burns 768 calories per hour of which 10 percent are from fat. * Moderate and fast runs burn 941 and 1,227 calories respectively, of which 5 percent are from fat.*

2. *Why is April 15 tax day? When the 16th Amendment was added to the Constitution it allowed Congress to institute the income tax. That was on February 3, 1913. At the time, Congress picked March 1, a year and a couple of weeks later, as the deadline for filing returns. Then, with the Revenue Act of 1918, Congress moved that date forward to March 15 without telling anyone why. The next change came*

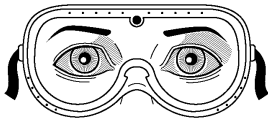
in 1955 when, buried in tax code revisions, another deadline was named. This time the date was moved to April 15. An IRS spokesman tells *Fortune* magazine the new date allowed more opportunity to spread out the peak workload." But law professors at the University of Southern California note that the date allows the government to use your money longer before giving refunds. On the other hand, it gives you a little longer to prepare tax returns. And if the IRS doesn't mail your refund within 45 days, they have to pay you interest!

3. HDTV is finally ready for you! Though everyone agrees that high-definition television (HDTV) is really great, only 4 percent of U.S. households have one. In the past, they were expensive. Consumers wouldn't invest because there was little worth watching on them, and broadcasters were reluctant to invest until there was a big enough audience. But all that is changing now. There were 2.5 million HDTV sets sold in 2002, and the price of a 30 inch set fell to about \$1,000. Some 600 stations in 165 TV markets are transmitting at least prime time favorites in high definition. If you want to go shopping, here are some terms you should know. * HDTV-Ready: A set that's capable of displaying high definition because of its high screen resolution and also makes analog TV look better. Needs a separate set-top box to decode digital signals. * Digital TV: Not all digital TV is high definition. Digital TV looks better than analog but not necessarily as good as HDTV. Just because your cable company offers digital" cable, this might not enhance your picture. * Digital Visual Interface (DVI): A secure connection between a TV and an external set-top box that uses encryption to prevent piracy. You could need it in the future if Hollywood gets its way, according to a *Time* special report.

Client News And Tidbits!

If you have any news you would like to share email will@nevadabenefits.com.

Health Tip Of The Month...



Save Your Vision Week

(These tips are not for everybody and should not be take as specific recommendations. Before you take any action regarding yours or anyone's health, we strongly suggest you consult a qualified physician!)

Don't Ignore Your Vision...

When you think about all the things that could happen to your eyes, saving your vision seems like a pretty big order. But the basics of eye care are like the basic steps to overall health: Eat a balanced diet, don't smoke, and wear sunglasses.

- Glaucoma has no symptoms and damage to your eyes usually comes on gradually say ophthalmologists at the University of Louisville. It is a leading cause of blindness, but most cases can be successfully treated with eye drops Have your eyes checked annually for glaucoma if you are over 40, diabetic, or African American.
- Cataracts take years to develop. They cloud the lens and cause blurring, glare problems and fading of colors. Protect your eyes from cataracts by avoiding eye injuries, diabetes, and unprotected exposure to the sun. Surgery to remove cataracts is very safe and takes only about 20 minutes per eye.
- The American Academy of Ophthalmology says most sports injuries can be prevented by wearing safety glasses. Each year about 100,000 people suffer sports-related eye injuries.
- Flashes and floaters are usually trivial unless they are red or brown. But see an eye doctor promptly if you experience them, because they could be a symptom of treatable retinal detachment.

Doctors have tools that can detect a problem before it steals your vision, so have regular examinations! Don't ignore those precious eyes!

Clients Of The Month

Congratulations to **Elite Flooring**, our customer of the month. We will be throwing them a in office pizza party. With over ten years of experience Elite can meet all of your flooring needs. Call Elite at **221-5600**. Mention you saw them in the Nevada Benefits Newsletter and save 10%.

If you would like any additional free reports, or would like some of your friends, coworkers, relatives, business acquaintances, etc. to receive a FREE subscription to this newsletter, please fill out the info on the reply form, and we'll ad them to the mailing list. We'll also send them a note with their first issue telling them that you had suggested they receive the newsletter, and to contact us if they would like to stop at any time. If you enjoy this newsletter, why not share it for FREE with people you know, with no hassle for you!

Nevada Benefits

YES! I'd like more FREE information on the following:

FREE Reports Available!

Call 258-1995 To Get Any Of These Free Reports!

Or Check Off The Ones You Want On The Enclosed Form and mail or fax It In!

“How To Avoid Overpaying For Your Life Insurance - Dirty Secrets About Life Insurance The Big Companies Hope You Never Learn”

“The Secret Alternatives To CD’s...What the Banks Don’t Want You To Know!”

“The 11 Biggest Mistakes People Make Before Or After Retiring...And How You Can Avoid Them!”

Please contact me to set up a review of my financial situation NOW for 2003!

Name _____

Address _____

City _____ St _____ Zip _____

Phone _____ Fax _____ email _____

Best Time To Contact _____

- Please send me additional pass along cards.
- Please add a FREE subscription to your monthly newsletter for the following people. I understand you will send them a note explaining I suggested they get this FREE subscription, and that all they have to do is contact us if they wish to cancel.

1. Name _____

Address _____

City _____ St _____ Zip _____

2. Name _____

Address _____

City _____ St _____ Zip _____

Please use additional paper if necessary! Thanks, and don't forget to send in your Client Quiz answers to win a FREE dinner!

Client Quiz!**Here's The February 2003 Quiz Questions And Answers!**

Q. 1. Your pal says there is a \$100 bill hidden between pages 75 and 76 of a book in the library. Why won't you go to look for it?

Q. 2. How can you clasp someone's hands together in such a manner that they cannot leave the room without unclasp them?

Q. 3. Pronounced as one letter, written with three, but two different letters there are and two only in me. I come in brown, blue, or gray. I'm read from both ends the very same way. What am I?

A. 1. You know that in books (not always magazines or newspapers) odd page numbers are always on the right, and the even page numbers on the left. It couldn't be between two pages that don't face each other.

A. 2. Clasp their hands around a stationary object like a water pipe.

A. 3. An eye.

Now Here's The March 2003 Quiz Question!

Q. Which of the following kinds of Federal tax return has historically been most likely to be audited?

A. Returns where the income was over \$100,000?

B. Returns for estates with assets greater than \$5,000,000?

C. Returns with a Schedule C, or sole proprietors?

All correct answers wins two free show tickets to Hypnolarious.

Email answers to will@nevadabenefits.com or fax to 877-0956. Good Luck!