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# THE NEILL NETWORK NEWS

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*“We help our clients find ways to save taxes and plan for the future.”*



*Compliments of G. Wayne Neill, CPA/PFS, CFP*



*Securities and investment advisory services are offered through Financial Network Investment Corporation, a registered broker/dealer and member of SIPC.*

## 7 Easy Steps TO CREATE A BUDGET YOU CAN LIVE WITH!



*Creating a budget is crucial to keeping your financial house in order. Use the following tips to organize your finances and keep track of your money:*

1. Gather all financial documents like bank statements, investment accounts, recent utility bills, etc.
2. Record your total income as a monthly amount.
3. Write a list of all the expected expenses and payments you plan to make in a month.
4. Break expenses into two categories: fixed (stays the same every month) and variable (lifestyle expenses that change from month to month).
5. Total your monthly income and monthly expenses. If your income exceeds expenses, put excess money toward other things like saving, paying down debt and/or starting an emergency fund.
6. If your expenses are higher than your income, adjust your variable expenses first.
7. Review your budget on a regular basis to make sure you are staying on track. After three months, review your expenses for each month. Pick the month where you did the best staying within your budget and try to emulate that same spending for another three months.

If you would like some budget forms to make this process easier, please email me at [wayne@neillntwrk.com](mailto:wayne@neillntwrk.com). I suggest you prepare a Net Worth statement annually, and that you review your spending on a monthly basis. Remember, you are the "Chief Financial Officer" of your family's finances. If the CEO were giving you a review, would he give you a raise or fire you?

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**2010 401k and IRA Contribution Limits:**

**401k plans**

\$16,500

Additional contribution of \$5,500 allowed if over age 50

**Traditional and Roth IRA Contributions**

\$5,000

Additional contribution of \$1,000 allowed if over age 50

**Check with your tax advisor to decide if you can contribute to a Traditional or Roth IRA.**



**KEEPING UP WITH THE DOW JONESES**



	June 3, 2010	June 1, 2010	Change
DJIA	8,674	10,173	17.3%
S&P 500	932	1,071	14.9%
3-Month T-Bill	0.14%		
10-Year Treasury	3.31%		
Prime Lending Rate	3.25%		

*Investors cannot invest directly in an index.*

(As found June 2, 2010 at [Bloomberg.com](http://Bloomberg.com))



**A Fish Parable . . . (or Why Maybe Enough is Enough)**

A small boat comes up to the dock and the fisherman unloads a few fish. The investment banker asks, "How long did it take you to catch those fish?"

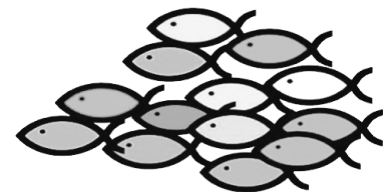
"Only a little while, " the fisherman responds.

"Why didn't you stay out there longer so you could catch more?" the investment banker asks.

"What I have here is enough."

"What do you do with the rest of your time?"

"I sleep late, play with my kids and visit with friends and family."



The investment banker is uneasy with this. He tells the fisherman he could spend more time fishing, buy a bigger boat, and set up an empire. The fisherman asks how long that will take and the investment banker says 10 to 15 years.

*Continued . . .*



## The Next Housing Boom?

*The echo boomers are primarily the offspring of the nation's largest generation — the baby boomers — and there are a lot of them!*

*The echo boomers are entering their peak household formation years, with close to 6 million more people than the baby boomers had during the 1970's. This trend may help stabilize housing prices and even result in demand again for new housing construction in the not-to-distant future!*

*Money, February 2010*



[. . . Continued]

"Then what?" asks the fisherman.

"Here's the best part," says the investment banker. "When the time's right, you sell your company, make millions, and retire to a fishing village. You can do a little fishing every day and spend time with your family and friends."

Kenny Chesney, one of my favorite country artists, has a song called "The Life" about a fisherman named "Jose." The bottom line is — Maybe it's just time to be content and live like Jose!

*Journal of Financial Planning, May 2003*



## Reverse Mortgages May Become Increasingly Important

Although not always the case, many people reach retirement with (1) a home that is free and clear, or has a relatively low mortgage; and (2) some money in a 401k plan, IRA rollover or other retirement plan.

Most folks start drawing a monthly income from their retirement plan to help supplement Social Security at retirement. But what happens when the money runs out?

For those who want to stay in their home, a reverse mortgage (RM) may make the most sense. A reverse mortgage can work a couple of different ways.

If you own your home free-and-clear, an RM can be taken out that will provide you with a monthly check. The amount you can receive each month will be determined by factors such as your age and how much your home is worth. The monthly payments you receive are added to the mortgage balance and accumulate interest. The mortgage is due when the property is either (1) sold by you, or (2) sold by your heirs after you pass away.

*Continued . . .*



**\$5 BILLION=**

*The amount of  
money  
unredeemed  
from*

**GIFT  
CARDS**

*each year!*



[ . . . Continued]

If you have a mortgage that does not exceed let's say 50% of your home's value-you may be able to eliminate your mortgage payment with an RM. The RM would payoff your mortgage. Interest would then be accrued on the mortgage balance each month. Again, the mortgage is paid off when the property is sold.

**Notes of Caution:**

First, the upfront costs of an RM are quite high. They can be added to your mortgage, but reduce your equity if you sell in the future or when the property is liquidated after you pass away.

A possible way to avoid this would be to do a "Family" RM. For instance, let's assume that Grandma's son has a large investment balance. Her son could payoff her first mortgage. He would then hold the mortgage and could add a reasonable interest rate onto the loan. At his mother's death, the son would be paid off first like any other mortgage lender.

Obviously, not every family is in this situation.

Second, don't take the lump sum option that some RM companies offer. There would be too much temptation to spend the money quickly—leaving you in a worse situation. You could also invest the money unwisely, which might cause even more problems.

Finally, make sure you use a reputable lender to obtain your RM. They are required to have you go through an education process with HUD (Housing and Urban Development), so that you are fully informed.

The reverse mortgage will be a valuable planning for more people as they run low on other funds to supplement Social Security.

Neither Financial Network nor any of its agents or representatives offer reverse mortgages or give tax or legal advice. For complete details, consult with your tax advisor or attorney.

