



Your Bottom Line

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Navigating a clear course toward your financial security.



Warren Mackensen

Small Investment with Large Payoff

Tragic stories abound concerning fires that started in homeowners' clothes dryer vents. Lint that collects in the dryer vent can prevent air flow, lead to an excessive build-up of heat, and result in a fire. Unfortunately, clogged dryer vents cause thousands of house fires a year, resulting in devastating damage to many homes.

We have found a tool that may be used to easily clean your dryer vent. The lightweight tool is

simply a nylon brush on a 10-foot flexible handle. Turn on your dryer and set it to "No Heat." Insert the brush into your dryer vent from the outside of your house. Withdrawing the brush will pull out lint and dirt that have built up in the hose. The Dryer Vent Brush is available through the Internet from www.northlineexpress.com. The phone number is: 866-667-8454. The stock number for a 10-foot brush is 5RU 17410 and the stock number for a 20-foot brush is 5RU 17420.

Each brush costs less than \$20, plus a small shipping fee. This investment in personal safety in your home will return more than its cost.

While you are in cleaning mode, vacuum your refrigerator condenser coils to reduce your energy consumption, and replace your smoke detector batteries if your detectors are battery-powered. ❖



David T. Mayes

Coverdell Accounts Losing their Luster

Parents who have saved for education expenses using tax-advantaged Coverdell Education Savings accounts will have some decisions to make at the end of this year. Congress had made these accounts more attractive in 2001 by increasing the maximum annual contribution amount from \$500 to \$2,000 and allowing tax-free withdrawals of earnings not only for qualified college expenses but also for kindergarten through grade 12 expenses as well. Like the Bush tax cuts, these changes are scheduled to end automatically on December 31 of this year. Unless

Congress repeals the sunset provision of the law, these accounts will lose some of their appeal. Parents will need to review their ultimate goal for these funds so other options can be considered.

Without action in Congress, the maximum annual contribution to Coverdell accounts will revert to \$500, and only college-related expenses will qualify for tax-free withdrawals of earnings. Any amounts withdrawn for K – 12 expenses after December 31, 2010, will be subject to income tax to the extent that they include investment gains. In addition, the rules will no longer permit claiming American Opportunity and Lifetime Learning Credits when

tax-free withdrawals from Coverdells are taken in the same year.

So, given the new rules, what are your options for handling the money in your Coverdell account? If you are using these funds for K – 12 education expenses, contact your child's school to find out if you can pay the spring tuition bill before the end of the year.

An alternative is to leave the accounts open and let them grow to meet college expenses. You can still add to these accounts, but at a slower pace of \$500 per year. Coverdell accounts offer flexibility in terms of investment choices and management. They can be

invested in stocks, bonds, mutual funds, savings accounts, CDs and many other options that can be changed as often as you like.

Section 529 plans are another option for college savings, but these accounts typically provide fewer investment choices. Also, changes can be made only once per year. Even with these limitations, most parents will likely find 529 plans more attractive than Coverdell accounts if, after 2010, each can be used only for college expenses. 529 plans can accept much larger contributions. Additionally, taking a withdrawal from a 529 plan and claiming the American Opportunity Credit or Lifetime Learning Credit in the same tax year is allowed.

If you determine that a 529 plan is a better option for your college savings, you can roll your Coverdell accounts into a 529 plan without triggering a tax on the earnings. The rollover is accomplished by withdrawing the money from the Coverdell and contributing an equal or greater amount to a 529 plan in the same tax year. A contribution to a 529 plan is considered a qualified education expense, just like money that was spent for tuition or other costs of education. That means you can take money out of a Coverdell account and put it in a 529 plan without paying tax. When deposited, you will need to inform the 529 plan custodian that the funds are coming out of a Coverdell account. As long as the 529 plan is for the same beneficiary as the Coverdell, the rollover is not a taxable event. ❖



David A. Batchelder

Make Your Final Wishes Known

Most of you have been diligent about your estate planning – establishing and funding trusts, signing durable powers of attorney for health and financial matters, and keeping your wills updated. Having these items in place will significantly ease the stress on your loved ones when they are called on to make health and financial decisions on your behalf and to ensure your estate is settled according to your wishes. While these documents provide the important legal foundation for managing your affairs, adding a post-mortem letter to your estate planning documents can be extremely valuable to your loved ones.

A post-mortem letter is an informal personal document you can draft without incurring the expense of an attorney. Your family will appreciate your efforts because the details you provide will give your loved ones some insight regarding your wishes. Though post-mortem letters do not carry legal weight, they can help others to wind up your affairs in the manner you desire.

Start by providing a list of your estate's assets. Without such a list, valuables may go undiscovered, particularly smaller items such as cash, jewelry, insurance policies and stock certificates. In addition to its location, provide an approximate value, account number, type of ownership (e.g., joint or individually), and whether the asset will pass directly to a beneficiary, through your will or through your trust. If you have

smaller items you would like to leave to specific individuals, your post-mortem letter can be a good place to inform your executor of your wishes.

Second, provide the names and phone numbers of your financial planner, accountant, brokers, insurance agents, attorney, and other financial professionals. List contact information for clergy, employers, trustees, and your estate executor as well.

Your letter should also include the location of your safe-deposit box and key, along with information on retrieving important documents such as your will, tax returns, birth certificate, military records, and credit card accounts. If you have made a loan that is still outstanding, include details in your letter along with your wishes regarding its repayment.

Finally, let your family know about any funeral arrangements you have made. Knowing your desires in this regard will assist your loved ones as they struggle with how best to remember you.

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