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# Protecting A Lifetime Of Memories

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## Struggling With Credit Card Debt? Part 2

Last month, I explained the basics of credit cards and some helpful tips on dealing with them, particularly if you struggle with debt. In this follow up article, we will be talking about the minimum payment trap, and the most successful method to paying off your credit card debt.

How are the minimum payments of credit cards determined? Typically, it is 1-2% of the balance plus any interest & fees charged during the period or \$10 whichever is greater. (The flat amount varies by company). Let's look at a balance of \$3,000 with a 15% interest rate. Assuming this credit card follows the 1% balance rule, your minimum payment will be \$67.50. As the balance goes down, so will the minimum payment. Following this example, it will take you a little over 20 years to completely pay it off. This minimum payment, doesn't benefit you, it benefits the credit card company. As they are maximizing the interest they receive from you.

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## Is It True? Do I Need Life Insurance?

As we get older, our spending habits change and our relative need for insurance decreases to the point most seniors think "I don't need life insurance." However, in most cases, this is not the case. The truth is most seniors do need some form of life insurance.

With all that being said, there are three main reasons to have life insurance.

**Final Expenses** - Dying is not cheap, besides the funeral expenses there are many other expenses associated with death, for example: unpaid medical bills, probate, debts, etc. This can all be avoided with proper planning with your advisor.

**Estate Taxes** - The more assets you have in your estate, the greater the potential there is that you will be paying estate taxes, Currently, assets over \$1.5 million, are subject to a minimum of 37% to a maximum of 48% in estate taxes. Life insurance in an irrevocable life insurance trust, will keep it out of the estate and can provide the funds to pay for any estate taxes incurred.

Note: When determining your estate value, include everything you own.

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## Interesting Facts:

-Sharks and Rays are the only two known animals to not get cancer. It is believed to be tied to them not having bones. Their skeleton is made up of cartilage.

-The porpoise is second to man as the smartest animal on the planet.

-"Almost" is the longest word in the English language with all the letters in alphabetical order.

-Gopher snakes in Arizona are not poisonous, but when frightened they may hiss and shake their tails like rattlesnakes.

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**“We make a living by what we get, but we make a life by what we give.”**  
-Winston Churchill

## Final Tax Tips

Final tax day has changed this year. The last day to file your taxes (without an extension) is **April 17th**.

While no one likes paying taxes, it is something we have to do. Here are some exemptions and write-offs you may not know about.

-Medical Expenses:

Note they are only deductible if you itemize, and only if they exceed 10% of your Adjusted Gross Income.

-Qualifying Education Expenses:

This can include student loan interest, tuition expenses, supplies and also check to see if you qualify for the AOC and/or Lifetime Learning Credits.

-Charitable organization contributions:

This can include everything from tithing at church, to the supplies you buy for your local soup kitchen, to a payroll deduction for a charity.

For more information about these and other possible deductions visit: <https://turbotax.intuit.com/tax-tools/all-articles-and-videos/Family>

## Struggling With Credit Card Debt? Part 2

Now let's look at the best way to pay off your debts. The debt snowball. The debt snowball only works when you have more than 1 credit card/debts you would like to pay off. It's a very simple technique that maximizes your efficiency to build momentum to pay off your debts quicker. Think of a snowball rolling down the hill, the longer it rolls, the bigger it gets. That snowball is your payment towards your debt. Let's imagine you have 4 credit cards, with a total debt of \$16,000. Your interest rates vary, your minimum payments are \$400/month, and you are paying those plus an extra \$25 towards each card. (\$500 per month total) The problem with this is that you are not making any substantial progress on any of your cards and it will take you a long time before you pay off your first card, probably between 5-15 years, and 10-30 for the last.

The snowball technique uses that same \$500/month you are spending, and it never changes until your debt is paid off. What you want to do is pay the minimums on the 3 cards with the highest balances and then put everything that is left of that \$500 onto the first card to pay it off as quickly as possible. Now, instead of years, that first card will be paid off in a matter of months. Once you pay off that card, then move on to the card with the 2<sup>nd</sup> lowest balance, then the third, and keep going until the last is paid off. As you pay off cards what you are putting will grow and grow (like a snowball) and as long as you keep putting that \$500 towards your debts, they will be paid off in 2-5 years, saving you thousands in interest payments. Now how much better off are you? For help creating a debt paydown plan for your situation, give me office a call today!

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## Is It True? Do I Need Life Insurance?

**Unwanted Lifestyle Changes-** The loss of a loved one is a traumatic experience, under any circumstance. But, what if your spouse and family are *also* left without sufficient money to meet basic living needs, they will have to cope with a financial and a emotional crisis, at the same time.

This can be a life-altering event. Without proper planning this could very well devastate a family and send them into a downward spiral of debt and no way to get back out.

At the time of your death, what will happen to your spouse? Will he or she lose your pension? Will they be entitled to your social security benefit? How much income will they lose? Having Life insurance can be a way for them to get "back on their feet".

These are just three reasons for obtaining Life Insurance. There are many more. So, is the question: "Do I need Life Insurance?" or should it be "Why wouldn't I need life Insurance?" Don't leave your spouse or family's financial obligations to haunt them. Make sure you are prepared.