Winter 2006

Montana Financial Education Coalition

NOTES

— A National Jump$tart Affiliate —

www.mtmfec.org

The MFEC website is live and can be found at **www.mtmfec.org**. All partners will be listed on the website by Friday, February 3rd.

The next step is getting the website's directory up and running. If your organization provides financial education services in Montana, please email Joice (jfranzen@mt.gov) the following information so it can be added to the directory:

- $ web address (URL)
- $ contact person
- $ contact email
- $ contact phone
- $ contact address
- $ brief description of services offered
- $ County or state services offer

Directory information submitted by Friday, February 3rd will be posted to the web by Friday, March 3rd.

The website calendar will also be updated during the next few weeks. If you have any classes, conferences or meetings open to the public that you would like posted, please send the following to Joice:

- $ contact person
- $ contact email
- $ contact phone
- $ date, time and location
- $ description of event

And remember, April is *Financial Literacy Month*. If you have activities planned, get some online publicity on this website by sending your event information to Joice by March 1st.

MFEC Update

On November 7 and 8, 2005, the MFEC reached another milestone by hosting its second annual - yes, that is SECOND ANNUAL - Financial Education Conference. And from your comments and remarks in the conference evaluation forms, it was a great success. Approximately 100 participants had an opportunity to hear from nationally prominent speakers as well as home grown experts in various areas of financial education. Presenters included Sandra Braunstein from the Federal Reserve Board of Governors, Nancy Brown with the National Jump$tart Coalition for Personal Financial Literacy, Kathryn Kelly from the American Bankers Association Education Foundation, Montana State Auditor John Morrison, Jimmy Williamson with the American Institute of CPAs, and Dr. Marsha Goetting with Montana State University Extension Service.

Notably, your evaluation comments applauded the second day resource sessions in which more than 30 financial education providers offered workshop sessions in which participants had opportunities to learn about a wide variety of financial education resources. Your comments underscored the value of these sessions, requesting that next year's conference offer more time for providers to share about the resources that are available. We thank you for your feedback, and will work hard to accommodate your requests and make next year's conference even more valuable.

I can't fail to mention another highlight of the conference – our MFEC website was unveiled. We are very excited about the site, and believe that as we continue to populate a number of its functions, it will serve as an excellent statewide resource for both financial education providers as well as Montana consumers. We especially want to extend our heartfelt thanks to Joice Franzen and the Montana Board of Housing for creating and providing the administrative services for this site. We think its terrific! Also in this issue of NOTES is a website update from Joice that provides guidance for our MFEC partners to get their organizations' program information on the site.

And now, we look forward to another year of pressing forward with our mission. Please join us by becoming an MFEC partner!

MFEC President

Sue Woodrow

Free, Easy Electronic Tax Filing for Earned Income Tax Credit

Submitted by Jessie Peterson, Montana Legal Services Association

This year, Montanans qualifying for the Earned Income Tax Credit will be able to electronically file their taxes for free at either www.icanefile.org - or - www.montanafreefile.org.

I-CAN is a free service administered through the Montana Legal Services Association (MLSA). Montanans can also prepare and file their state taxes using this website. Last year, the state of Montana ranked second in the nation for the number of I-CAN e-filers, highlighting the demand for free and independent filing options across the state.

The Earned Income Tax Credit enables qualifying working families to receive up to $4,400 from the IRS. By logging onto either of the above websites filers can obtain their money with no hidden charges, and in as little as eight days through a direct deposit. A significant benefit is that filers can avoid paying interest and filing fees to income tax preparers—which can consume up to half of the tax credit, or taking out refund anticipation loans—which can have annual percentage rates of up to 700%.

This tax season, an added benefit of the I-CAN program is that all users will have the opportunity to efile, even without an email address. The user will simply need to log back in at www.icanefile.org 3-7 days after filing to confirm their claim was processed by the IRS. This added feature will decrease the time it takes for users to receive their tax return.

I-CAN is a free and easy to use website that provides people with step-by-step instructions on how to electronically file their taxes. For those without Internet access at home, there will be I-CAN work stations available for use free of charge in various locations across the state, including numerous libraries, credit unions, job service offices, and public assistance and housing authority offices. Remember, I-CAN is only available for filers qualifying for the earned income tax credit. If someone is unsure about whether they qualify for the EITC, direct them to either www.icanefile.org or www.montanafreefile.org. Both sites can help them determine whether they qualify - so encourage those in doubt to log on and discover if they qualify today!

Please spread the word that those interested in using I-CAN to electronically file their taxes can contact MLSA for more information - (800) 666-6124, extension 31, or email Jessie Peterson at jepeters@mtlsa.org. It's not too late to host an I-CAN work station – if your organization is interested, contact MLSA. There are posters and fliers available for you to distribute or display. Together, we can make a difference!

Consumer Fraud—Fighting White Collar Crime

Al Ward, AARP of Montana

AARP Montana is hosting two "***Consumer Fraud - Fighting White Collar Crime***" events in February and March. These events will allow attendees to learn more about the ways that criminals try to separate them from their hard earned cash, ways to keep it from happening to themselves as well as how they can help keep it from happening to friends or loved ones.

The sessions will bring together experts from state and federal agencies to discuss internet and telemarketing fraud, health fraud, investment fraud, predatory lending, auto and home scams, identity theft and lottery scams. There will be presentations by the Attorney General, State Auditor and Regional Officer from the Federal Trade Commission, as well as presenters and advocates from the Attorney General's Office, Office of Banking and Financial Institutions, Montana State Lottery, Advocates in Medicare Savings and the Department of Public Health and Human Services.

The next event is in Havre on Wednesday, February 1, 2006 at MSU Northern in the Student Union Building. The final event is in Kalispell on Wednesday, March 1, 2006 at the West Coast Kalispell Center Hotel. Both events will be from 9:45 am until 3:00 pm. Lunch will be provided.

To assure there are sufficient meals and refreshments please pre-register by calling (406) 457-4715. Provide your name, daytime phone number and total number of people you will be bringing to the event.

A New Generation of College Savings Plans Are Earning High Marks

Submitted by Koy Hoover, Financial Consultant, Smith Barney — Bozeman Office

The ever-rising cost of higher education has many parents wondering, "How will I afford to send my children to college?" If you have begun to explore education funding possibilities, you have probably found that many traditional savings options have significant downsides.

The answer for many parents are Section 529 College savings Plans. These programs, named after the Internal Revenue Code section that established them, let individuals contribute substantially more money toward higher education expenses while enjoying significant tax advantages.

Contributions to Section 529 College Savings Plans are often invested in a family of pre-selected portfolios, according to the age of the beneficiary or the number of years until enrollment in college. Some plans also provide other investment options such as 100% equity portfolios or 100% fixed income portfolios as well as specific individual mutual funds. Once an investment option is selected for a beneficiary, the option may only be changed once per calendar year without triggering any tax or penalty. However, any time you change the beneficiary you may also change the investment option.

Assets in Section 529 College Savings Plans grow free from federal income tax while in the account. Assuming there are earnings, this feature allows the account to grow faster than a comparable taxable account where earnings are taxed every year. Better yet, qualified withdrawals are free from federal income taxes.[1]

Section 529 College Savings Plans can be an attractive estate-planning tool because they allow account owners to invest up to $55,000 ($110,000 for married couples) per beneficiary in one year without incurring gift taxes.[2] Though the contributor maintains ownership of the account, the investment is excluded from his or her taxable estate.[3]

Many programs offer additional state tax benefits, so it's important to examine the structure of your state's plan. You should weigh any state tax benefits against the benefits and terms and conditions of plans offered by other states. Investment options, performance and other relevant factors should be considered when making a decision. And you should also be aware that many states offer prepaid tuition plans, which are another type of 529 Plan.

If you are already saving within a custodial account, a Coverdell Education Savings Account or in U.S. Savings Bonds, you may want to explore the tax consequences, if any, of transferring these investments to a Section 529 College Savings Plan. Your professional financial advisor can provide more information to help you decide which education funding strategy may be appropriate for your situation.

[1]Please note that the federal tax exemption is due to expire on December 31, 2010, unless the law providing for the federal exemption is extended.

[2]Contributions between $11,000 and $55,000 made in one year can be prorated over a 5-year period without incurring gift taxes or reducing your unified estate and gift tax credit. If you contribute less than the $55,000 maximum, additional contributions can be made without incurring gift taxes, up to a prorated level of $11,000 per year. Gift taxation may result if a contribution exceeds the available annual gift tax exclusion amount remaining for a given beneficiary in the year of contribution.

[3]For contributions between $11,000 and $55,000 made in one year, if the account owner dies before the end of the 5-year period, a prorated portion of the contribution will be included in his or her taxable estate.

This information is for general informational purposes only. Smith Barney does not provide tax or legal advice. Please contact your tax and/or legal advisor for guidance

FINANCIAL EDUCATION RESOURCES

Almost daily consumers are targets of 'phishing' scams. Visit these sites to learn more about 'phishing'.

www.antiphishing.org

www.onguardonline.gov

www.occ.gov/consumer/phishing.htm

www.ftc.gov/bcp/conline/pubs/alerts/phishingalrt.htm

www.fdic.gov/consumers/con

Helping Seniors Remain Fiscally Fit:

How-to Guide to Money Management for Seniors and their Families Available from the FDIC

FDIC Consumer News, a publication of the Federal Deposit Insurance Corporation

With the average American living longer and spending more years (and more money) in retirement than ever before, senior citizens need to find ways to stretch and preserve their savings. The latest issue of ***FDIC Consumer News***, published by the Federal Deposit Insurance Corporation, is a special edition devoted to helping seniors and their families make smart decisions about their retirement funds.

The new publication is entitled "***Fiscal Fitness for Older Americans: Stretching Your Savings and Shaping Up Your Financial Strategies***." It features practical tips and information on:

- $ **Sources of funds during retirement and potential pitfalls to avoid.** The newsletter provides guidance on when to tap into Social Security benefits and retirement savings, problems that can occur when borrowing money in retirement, and what to consider before investing in annuities.
- $ **Protecting against financial frauds that target the elderly.** Identity theft, advance-payment scams and fraudulent deals involving home sales or mortgage loans are just a few of the crimes aimed at older Americans. The guide outlines ways to avoid being a victim.
- $ **Simplifying and organizing finances.** Topics include protecting important financial documents and taking precautions with accounts that have been closed.
- $ **What to consider before giving others access to bank accounts and safe deposit boxes.** The FDIC provides guidance on making decisions about whose names are added to accounts and explains how such decisions can determine who has a right to withdraw money and how much of the funds are FDIC-insured.
- $ **Things seniors (and everyone else) should know about FDIC insurance.** Examples: Depositors may qualify for more than $100,000 of insurance if they have accounts in different ownership categories. Also, a death or divorce in a family can reduce the FDIC insurance coverage on certain joint accounts and trust accounts.

The FDIC newsletter also features retirement strategies to consider at different life stages, a 15-question quiz on money management for seniors, and a list of government resources (including some from the FDIC) that older Americans and their families can turn to for help on financial matters.

The Fall 2005 issue is available online at www.fdic.gov/consumers/consumer/news/cnfall05. The FDIC also is taking additional steps to make the information in this special edition widely available to the public. The agency is providing single copies free of charge through the Federal Citizen Information Center by ordering online (start at the FDIC Web site above) or by writing to: Fiscal Fitness for Older Americans, Pueblo, CO 81009. Consumers also may call toll-free 1-888-8-PUEBLO -- that's 1-888-878-3256 -- weekdays 8 a.m. to 8 p.m. Eastern Time and ask for Fiscal Fitness for Older Americans. Also, the FDIC is encouraging financial institutions, retirement communities, government agencies, consumer groups, the media and others to reprint the new guide in whole or in part and to mention or link to the FDIC Web site.

Don't forget to visit the Montana Financial Education Coalition's new web site at:

www.mtmfec.org

MFEC Receives Donation from Bozeman Branch Office of Smith Barney

Submitted by Laura Henton, Vice President/Operations

The Montana Financial Education Coalition (MFEC) is pleased to announce it has received a $5,000 donation from the Bozeman office of Smith Barney. The donation is a part of Citigroup's Financial Education Program, which represents the firm's commitment to supporting non-profit organizations that focus on financial education.

Sue Woodrow, President of Montana Financial Education Coalition commented, "Our organization is pleased that a global business like Citigroup and Smith Barney has recognized our commitment to be better serve the community. The funds will be used to help support improving personal financial knowledge of Montana citizens by promoting public awareness."

"We are glad to support organizations that have a meaningful impact in the areas where we live and work," said Laura Henton. Ms. Henton, Vice President / Operations Manager, headed the initiative and selection process on behalf of Smith Barney.

Citigroup and Smith Barney are long-standing supporters of financial education. In 2004, Citigroup renewed its commitment to this cause with a ten-year $200 million pledge to help support and build financial literacy in the global communities in which it operates.

Thank you to the following organization for sponsoring this issue of *Notes*:

Bozeman Branch Office — Smith Barney

Get Smart About Credit

Submitted by Marsha Goetting, Prof. & Extension Family Economics Specialist

"It's so easy to fall into the credit card minimum payment trap. Your bill arrives and you don't have enough in your checking account to pay it off. You sigh with relief when you see the small minimum payment due and quickly write a check. Next month the same thing happens. Before you know it, you feel trapped into making only the minimum payments every month," says Marsha Goetting, MSU Extension Family Economics Specialist.

"Most of us don't realize the true cost of this monthly decision." That's why the MSU Extension Service has developed a web site to help Montanans 'Get Smart About Credit' www.creditsmarts.montana.edu and an educational packet by the same name.

One of the tools in the packet is a slide card that shows the costs of paying the minimum on your credit cards. Let's say you have a balance of $4,000. If you pay only the two percent minimum payment every month, over time you would pay $13,843 for your debt, including $9,843 in interest charges.

And, you would have to make payments for 34 years, assuming you don't charge more on your card, which is probably unrealistic in many families. However, if you doubled the minimum payment every month you would only be in debt for 10 years and pay $2,222 in interest, thus saving $7,621.

Thanks to funding from the First Interstate Banc-System Foundation, Montana Credit Unions for Community Development and the MSU Extension Service, the first 100 readers who request it can receive a free educational packet containing the special slide card that reveals how much you are paying on credit card debt when you only make the minimum payments.

Additional fact sheets in the packet include: How to Get Your Free Credit Report, What Does Your Credit Score Say About You, How Much Debt is Too Much, Reduce Your Debts the PowerPay Way, and Selecting A Credit Card.

To request the packet email goetting@montana.edu, call 994-5695, or write P. O. Box 172800, Montana State University, Bozeman, MT 59715.

Free Credit Reports

Submitted by Montana Credit Unions for Community Development

Protecting credit and fighting identity theft are two big financial issues consumers face today. The Fair and Accurate Credit Transactions Act (FACT Act) of 2003 addresses these issues by ensuring consumers understand their credit rights, have access to their credit reports, and fight identity theft.

Despite fears of identity theft, less than half of consumers have taken advantage of the new law that gives free access to credit reports. An online survey, commissioned by HSBC-North America, revealed that consumers have real concerns about managing and protecting their finances, but they aren't taking basic steps - such as ordering their credit report and credit score – to turn those concerns into opportunities to enhance their financial future.

$ *Only one-third of consumers actually know their credit score, even though 90% know their score affects their ability to get favorable rates on major purchases such as a home or automobile.*

$ *More than one-third of those who received a free credit report discovered errors.*

$ *Of consumers who received a free credit report, only 21% paid to get the credit score.*

The FACT Act requires each of the nationwide consumer reporting companies — Equifax, Experian, and TransUnion — to provide a free credit report to those requesting it, once every 12 months.

What can you do to help? Get the word out about everyone’s right to a free credit report. Free annual credit reports can be ordered online at www.annualcreditreport.com, by calling 1-877-322-8228, or mailing a standardized form *(downloaded from credit reporting agency websites)* to Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281.

AnnualCreditReport.com is the only authorized source for consumers to access their credit reports online for free, and consumers are advised to use caution with offers from unsolicited e-mails. The Federal Trade Commission (FTC), the nation's consumer protection agency, has prepared a brochure, ‘*Your Access to Free Credit Reports*’, explaining your rights under the FCRA and how to order a free annual credit report. To view the brochure, go to www.ftc.gov.

MONTANA FINANCIAL EDUCATION COALITION
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NOTES readers are partners in our efforts to share the latest news from the financial education field. The newsletter is published quarterly by the Montana Financial Education Coalition (MFEC). It is designed to keep the MFEC partners informed about what is happening as well as communicating financial education efforts to other interested parties throughout the state.

We welcome your questions and comments. If you are interested in receiving this publication regularly or would like more information on the MFEC, please contact Karen Dunn *(editor)* at **karen@mcun.org** or Sue Woodrow at **Susan.Woodrow@mpls.frb.org**.