

HAPPY NEW
YEAR FROM ALL
OF US AT
COMMUNITY
ACTION
DULUTH!
WE HOPE 2010
TREATS YOU
WELL!

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Money, Main Street and Your Tax Refund

According to a recent report from Time Magazine and CNN, the average tax refund this year has been about \$2,700, according to the IRS. That's up 11% from last year and constitutes a pretty healthy one-time fiscal shot in the arm for the typical family struggling during this recession.

If you haven't filed or received your refund yet, you are probably contemplating how to best use it. More people than ever are using their refund to pay basic bills, according to a recent Associated Press poll. For example, 31% said they were using their refund to pay credit card debt — up from 17% a year ago. The percentage using their refund to pay utility bills and rent or their mortgage has roughly doubled too.

If you must, you must. but bear in mind that when you use one-

time income to meet recurring expenses you're likely headed for trouble down the road. Better to cut costs and live within your means, and use your refund for a one-time fix.



Here are 10 Responsible Ways to Spend Your Refund and Receive a Happy Return:

1. Save for emergencies
2. Save for a large expense like a home or college
3. Start a retirement plan

4. Pay off a loan early
5. Pay off or pay down credit cards (especially high interest)
6. Invest in your health (purchase a gym membership or see a dentist if it would help you)
7. Update certifications or attend seminars that will help your employability or increase your wage
8. Buy something that will save you money down the road (an espresso machine to eliminate the Starbucks trips for example)
9. Set up an allowance fund for your kids to teach them how to manage money effectively
10. Make energy efficient home improvements to capitalize on tax rebates next year and save on monthly bills!

If you would like assistance planning your refund and expenses, call Rachel @ 726-1665.

Tax-Time Tips from the America Saves Network!

Avoid Expensive Preparers

Avoid paying for your tax preparation. Duluth and the surrounding communities have many free tax sites, including Community Action where your taxes can be completed and filed for free!

Avoid Refund Loan Products

Avoid paying for Refund Anticipation Loan (RAL) products as well. If you electronically file your

return and ask for direct deposit, your refund will come to you on average in 5-10 business days! RALs can cost hundreds of dollars in interest—money that could be saved!

Pay Only What You Must

Maximize your return by looking into tax credits that are available. Many apply to families with children, working families, and those

with low-incomes. This year, there are those for first time homeowners, those who've purchased a new vehicle and credits for home improvements that meet energy qualifications! Preparers at volunteer sites, like Community Action will work to get you all the credits you are eligible for!

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**INCREASE YOUR REFUND—
INCREASE YOUR SAVINGS!**



Looking for creative ways to use your tax refund, plan for retirement, start investing, or plan for your financial future? We are here to help! Give us a call and we'll be glad to sit down with you to plan!
Duluth Saves Staff
726-1665

Tax-Time Tips Continued....

Pay Yourself First!

When it comes to increasing your savings, the old wisdom “pay yourself first” comes to mind. Now with tax form 8888, you can directly deposit your refund in up to 3 different places! There is also the option for purchasing savings bonds this year during preparation.

The additional benefits of form 8888 allow for painless consumer savings and is available at most tax sites,

Pay yourself first is the motto of our free Common Cents class. Call us to register!

Its Never too Late for Retirement Savings!

Tax time is a great way to start saving or add to already existing savings plans. If you don't already have a 401k through your employer or an Individual Retirement Account (IRA) on your own, now is the perfect time!

Contributions to 401k accounts and IRAs are not only tax free but depending on your employer, may even offer a match! Furthermore, contributions reduce your taxable income for the year and save you even more when you file!

Get your taxes done for free at Community Action!

Community Action Office

Tuesdays 4:30pm

Saturdays 8:45pm

We take the first 40 customers on a walk-in basis only.

Memorial Park Site

Mondays 4:30pm

Wednesdays 4:30pm

Appointments made for people claiming children. Limited walk-in availability.

Brought to you by the America Saves Network

Things to do when Money is Short...

Thinking about ways to save and to stretch money in these tough times can be daunting but there are many ways to think outside the box and be creative and now is the perfect time to do so!

Financial experts state that the 3 biggest ways to do this are: Saving money on things you can do without, making money where you can and stretching money when you can.

Seems easy right?—Not. When you're right in the thick of things, finances can be so stressful that we often can't think about anything but the moment but there really are many ways to save, make and stretch that dollar. Every little bit can help!

Here are a few ideas to get you started....

1. Sew or mend clothing

2. Garden/grow food

3. Make meals at home

4. Turn off lights and unplug appliances

5. Take shorter showers and air dry clothes

6. Drink water, milk and juice instead of sodas

7. Buy generic brands instead of name brands

8. Walk, ride a bike or take public transportation

9. Shop for deals and use coupons and rebates

10. Put plastic over your windows to reduce drafts and save energy

11. Stock up on items you know you'll need when they're on sale

12. Check out local programs

like the SHARE Food program right here in Duluth

13. Shop around for insurance prices and bundle where you can

14. Shop at thrift stores

15. Take preventative measures, especially with your health, home and transportation

16. Access free local events for entertainment

One of the biggest ideas not mentioned in our list but is just as important, is to remember to be polite and use your sense of humor. These times are stressful and a good attitude can make a world of difference!

Brought to you by the University of MN Extension Program

Do Retirement Plans Seem Overwhelming? Go Back to the Basics...

Retirement Plans can seem overwhelming, no matter your age. Stacks of paperwork, hundreds of investment options, traditional and roth accounts, matched accounts, 401ks, 403bs, IRAs, CDs—you can get lost in a maze of alphabet soup quickly. Our best advice—keep it simple and start basic, but be sure to start!

A recent survey from Fidelity Investments of more than 1,000 Generation Y workers--those between 22 and 33 years of age--found that nearly half who had a 401k or similar plan considered managing their everyday finances a more crucial obligation than saving for retirement.

Which brings us to the crux of the issue; given all the pressing matters competing for your attention and dollars, how does someone just starting out in her career -- or for that matter someone of any age -- go from wanting to prepare for retirement to actually doing it?

1. Take the saving decision out of your hands. People don't fail to plan for retirement because they don't believe it's important. It's because saving doesn't come naturally to most of us. Part of our brain is hard-wired for immediate gratification. And even if you possess the willpower to forego pleasure today for a payoff tomorrow, exercising it on a consistent basis can be a tough considering that affording even the necessities can be a challenge these days.

That's why the most effective way to save for retirement is to put your savings on autopilot.

If you've got a 401k or similar plan at work, enroll in it so that money flows automatically from your paycheck into your retirement savings account before you even get a chance to spend it. (Pay Yourself First!) If your employer doesn't offer such a plan, then open a traditional or roth IRA through an automatic investment plan that transfers cash from your checking account into a fund each month. Many options start at as little as \$25 per month and that can add up quickly, especially over time!



2. Don't get bogged down by details.

Despite good intentions, some people never get around to starting a retirement plan because the whole process just seems too complicated. Deciding how much money to put away, which investments to choose, how much to invest in each one...The number of choices can feel overwhelming and lead to paralysis.

I'll let you in on a little secret, though: Every decision you make doesn't have to be perfect. The most important thing is to get the process going. If you sign up for your 401k, contribute at least enough to get the full employer match. Can't manage that?

Then start with a percentage of salary you can handle, even if it's just 5% or less. If you go the IRA route, pick a monthly contribution you know you'll be able to sustain, believe me, it will add up!

3. Keep the momentum going.

Good investing can help build your nest egg, but the surest path to a secure retirement is regular saving. So as you progress in your career and earn more money, try to ratchet up your savings effort as well.

You'll increase your odds of maintaining your savings regimen if you avoid taking on unnecessary debt. Remember that study I mentioned earlier? Well it also found that Gen Y'ers hold more than three credit cards on average and 20% of them carry a balance of more than \$10,000. If you need to, try to go back to a cash only way of operating.

Once you've got your retirement plan underway, you can always change or refine your choices later. You can reassess how much to save, revise your investments and monitor your progress. Many plans allow for this online too!

But if you never take the first step, you won't have anything to change or refine. Except perhaps your retirement plans, which you'll have to downsize.

**Brought to you by:
Money Magazine and CNN.**

5 Tips for Improving your Credit Score

Credit reports, credit scores and credit counseling can all be scary and overwhelming ideas to think about. Many people don't take the time to look at their credit report for fear of what might be on it and that, my friends, is the worst mistake.

Often times, people are surprised by their credit report, stating its better than they thought and even if that isn't the case, There are things that you can do to fix your credit and improve your credit habits. The best way to start is jumping over that hurdle and taking a peek at what's inside

your personal credit report.

Here are the first 5 steps to improving your credit score, report and history:

1. Look at your report. Make sure everything is accurate and is yours.
2. Pay your bills on time or call your creditors and work out payment plans if you are unable to pay your full payment.
3. Understand that your credit score is a compilation of many things: Paying bills on time, the length of your history, new credit inquiries, what types of credit you

have and how much debt you owe.

4. Learn and understand your rights.
5. Beware of credit-scams.

We know this process can be difficult. If you are interested in taking steps to improve your credit, please call and set up an appointment, we'd love to help you get started! You can also access a free copy of your credit report yourself, online at www.annualcreditreport.com.

Brought to you by the Federal Reserve and Duluth Saves



Duluth Saves

Duluth Saves strives to meet the diverse needs of all Duluthians regardless of income. We truly believe that everyone can build wealth and better their financial future with the right tools and the right encouragement.

We are here to support whatever financial goals you have!



Common Cents: The Money Class

Budgeting, Asset Building, Credit Reports, Collections, Credit Scores, Debt, Credit Cards, Predatory Lending, Mortgages, Investing, ID Theft and so much more...

Next Class: February 22nd—March 11th
Monday and Thursday nights from 6-8pm.

Dinner and childcare provided!

Call 726-1665 to register.

Getting Ahead Classes

Think more money is the answer to all your problems? Think again! Make a plan to move your life forward and **Get Ahead!**

Learn how to: Build Resources, Develop Relationships, Use Networking Skills and Connect with the Community!

Food and gas cards, dinner and childcare provided to committed participants!

Call Rebecca at 726-1665 to find out more!

Pay Yourself First—Keep up the Good Work!

Dear Duluth Savers,

Keep up your good work.! There are over 50 of you saving or maintaining your original savings from enrollment. Many of you have been fortunate to snag one of our limited FAIM opportunities, many more have entered our Jump Start car program and received low-mileage vehicles with down payment assistance for a great price. Most of you have completed our Common Cents: The Money Class, learning tips and tricks to become even more financially responsible and to pay yourself first! If you haven't had a chance to yet, consider it! It's a great class that provides a lot of great opportunities!

I know we use the phrase "pay yourself first" frequently, but we truly hope you take it to heart. It is a great way to start saving, maintain savings and build savings over time! It is often referred to as the "painless way to save" meaning, you never have money in your hands, tempting you, pulling you this way and that way which we all know happens to all of us.

Like this newsletter states over and over, we recommend using this phrase as your personal motto in all of your financial endeavors!



There are many simple ways to do this. Ask your employers if you can have direct deposit into your Duluth Saves account or another bank account so your pay checks go right to the bank. Ask if your direct deposit can be split into multiple accounts, transferring most of your check to one account and a portion of it directly into savings!

When you file your tax refund, ask about direct deposit and splitting your refund savings—ask about savings bonds and your opportunity to accrue more interest. And finally, if you haven't been able to start a retirement plan yet, take a minute to think about it. Tax time is a wonderful time to start. Many of us are receiving tax refunds and even a few hundred dollars deposited into a retirement plan can grow over time and small monthly contributions can make a world of difference.

We here in the Assets Programs of Community Action know that this is not an easy thing to do and know that it can be complicated too. If you have questions about taxes, retirement plans, savings or financial planning, please don't hesitate to call us—we are here to help!

Wishing you all the best for a happy and healthy 2010,

Rachel Forsyth