

Keys to Debt Management

by Alan Goldfarb, CFP®, AIF®, MBA

Debt can be a valuable and useful component of an individual's finances, if used efficiently and in moderation. For many individuals, debt is a necessity in their every day lives and, unfortunately, often inappropriately handled. But there are certain "keys" an individual should consider that might open the door to proper and efficient use of debt within their financial lives.

Liquidity is Key

Keeping the proper amount of liquid assets is vital to managing the current level of your debt. Debt has traditionally hurt very few individuals; it is the lack of liquidity and cash flow to manage the debt that financially hurts individuals.

Keep Debt Service Predictable

Try to avoid repayment schedules, such as balloons, that require the debt to be repaid in full at a future point in time. If adjustable-rate financing is used, try to negotiate interest-rate caps on your debt balance.

Do Not Accelerate Debt Payments

Wait until you have sufficient liquid savings and pay off non-deductible interest debts first. Then only pay down your debt if you are fully funding your retirement plans, such as 401(k) and IRAs.

Try to Have Interest Deductible

Slash those non-deductible credit card balances as much as possible. While you hear this often, it can't be emphasized enough. Consider using second mortgages, business loans, etc., to keep interest on debt deductible.

Hold Debt Service Payments at Less Than 25-33 Percent of Gross Income

As a general guideline, if you are exceeding this range you are progressing outside the safe limits of debt management. Try to

renegotiate terms of your debt to get fixed payments to the 25-33 percent level and do not acquire additional debt.

Use Credit Cards Only as a Convenience

Do not use credit cards to finance long-term purchases or items you cannot currently afford. Save for those items or use alternative forms of debt that are more efficient, such as deductible debt.

Protect Your Credit

Personal credit is extremely important – don't abuse it. Get into the habit of making payments on time. Establish a good credit history early, as soon as you start your career or right out of school. Use credit cards in moderation to establish a good track record of prudent debt management. If you are, or going to be, in

trouble, be proactive and talk to your bank or credit card company as soon as possible to work out a repayment schedule.

Pay Cash for Purchases

Don't finance or use credit cards unless it is absolutely necessary. Set a goal of paying cash for purchases and do not acquire them until you have saved enough, assuming no emergencies pop up. This is commonly referred to as "delayed gratification" and it is a financially sound concept to follow.

Review Debts Annually

Make sure your debts are as efficient as possible. This means making sure the interest rates you are paying are low and competitive given changing market conditions. Also, check out the option of refinancing if it will save you money.



Featured Client Profile

Dr. Jacky Roffe – Entrepreneur

Jacky Roffe is a successful anesthesiologist by day, serving as president of Tx-An Anesthesia Management, LLP, and an avid car enthusiast by night. He recently expanded on his love of automobiles and now serves as president of RUF Auto Centre, (RUF). RUF is the first fully authorized facility in North America approved to sell new RUF automobiles and perform conversions that transform current Porsche automobiles with RUF power kits.

RUF Auto Centre now offers a selection of exotic sport and luxury cars such as Ferrari, Lamborghini, Bentley, Aston Martin, Porsche and Lotus. They are happy to assist in the location of cars – from the perfect Porsche to serve as the

basis for a RUF conversion, to the late model luxury or exotic car to complement existing collections.

RUF also offers consignment sales of appropriate vehicles and extended service contracts for most of their pre-owned inventory which gives basic coverage up to bumper-to-bumper coverage. Further information can be found on their website, www.rufautocentre.com.



Many of our clients are involved in special interest business pursuits. If you would like to share your unique business with our readers, please let us know.

Weaver Tidwell Wealth Management Profile

Laura Lee

Laura Lee is a recent graduate from the Personal Financial Planning program at Texas Tech University. She started with Weaver Tidwell Wealth Management in June 2007 as an intern and then joined the team later that year in October as an associate financial advisor.

Laura started her college career at Texas Tech wanting to be a mechanical engineer. After several classes she realized her heart just wasn't in it so she thought she would try out a small program, Personal Financial Planning. Within the first semester she realized what she wanted to do for the rest of her life. What she didn't realize was how well known the pro-

gram was in the financial planning profession. Laura is also an active member of the Financial Planning Association.

Laura financed all of her education by waiting tables and working as the assistant to the District Director of AFLAC Insurance. She has several years of experience in client services, teamwork and leadership.

When not working, Laura tries to get out on the golf course as often as she can and loves being outdoors. She is also on the Weaver and Tidwell softball team.



Financial Solutions

Is Your Credit Score Costing You Money?

In these uncertain financial times, even those with excellent credit histories may have trouble getting a mortgage or other type of loan. That is why it is important to know your credit score and the effect it may have on your checkbook.

Why it Matters

Your credit score is based on your financial situation and your past history of managing your credit. Companies use it to decide whether or not to extend you credit or a loan.

Many people understand that lenders check credit scores when an individual applies for a mortgage, credit card, or car or student loan. You may not be aware, however, that your score can also be important when you try to rent an apartment, since more and more landlords want access to this information to help gauge whether tenants can afford the rent. In addition, a bad credit score could mean higher car insurance premiums and an inability to apply for certain cell phone plans. Finally, you may be surprised to learn that even some employers may check your credit score to get a better sense of the character of the person they're planning to hire.

The Facts Behind the Score

There are three national credit bureaus: Equifax, Experian and TransUnion. Each one has its own scoring method, but they are all typically based on one model, often known as FICO. Your credit score generally can range from 300 (the low end) to 850 (the high end). It is calculated based on a number of factors. The most important is your payment history, including late payments and bankruptcies. The score also takes into account how recently problems have occurred, so a payment problem several years ago should carry less weight

than a recent one. Another factor is your current debt situation, including how much debt and how many credit cards you have. The credit bureaus also consider the length of your credit history and whether you have long-term loans and/or short-term installment debt.

In Dollars and Cents

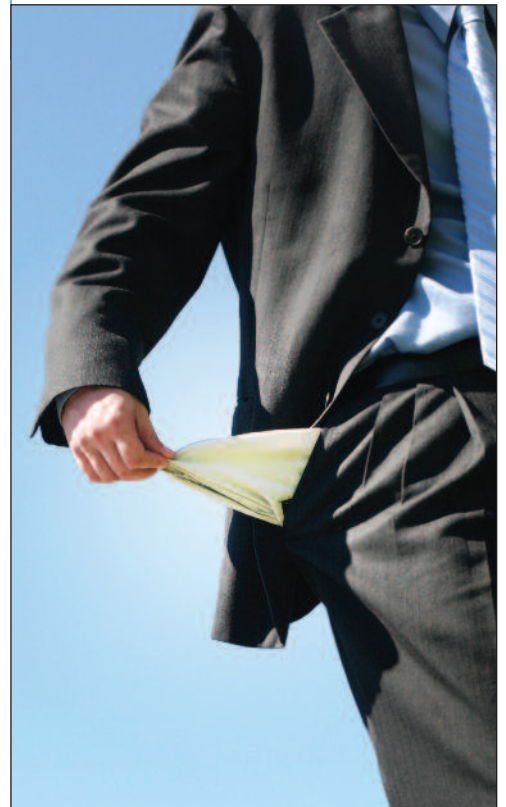
What is the actual impact that a weak credit score will have on your finances? The FICO website (www.myfico.com) provides some answers based on recent interest rates. For example, the monthly payment on a \$25,000, 36-month auto loan might be about \$763 for someone with a high credit score in the 720 to 850 range, because they would be charged a low interest rate since they are considered a good credit risk. Conversely, a borrower in the 620-659 range would pay around \$814 per month, and someone with a low score between 500 and 589 could end up paying around \$868. That's \$100 more per month than someone with the best credit score. Borrowers with a low credit score seeking to take out a 15-year home equity loan or a 30-year mortgage could pay several percentage points more in interest on the loan, which could translate to hundreds of dollars a year, depending on the size of the debt.

Consult Your Advisor

What is your credit score? Everyone is eligible to receive a free credit report annually from each of the three major credit rating bureaus. To learn more, go to

www.annualcreditreport.com or call 877-322-8228. It's a good idea to check your report regularly to monitor your score and to ensure you haven't been the victim of identity theft. Fraudulent use of your credit cards or identity can also lower your credit score.

Be sure to turn to your advisor for answers to any questions you may have on managing your debt or other financial issues facing your family.



Spring 2009

CONTACT

DAVID C. SEGO, CFP®
Managing Director

12221 Merit Drive, Suite 1300
Dallas, TX 75251
972.960.1100 phone
972.960.7526 fax

1600 W. 7th Street, Suite 300
Fort Worth, TX 76102
817.882.7788 phone
817.882.7787 fax

24 Greenway Plaza, Suite 1800
Houston, TX 77046
832.320.3493 phone
832.320.3490 fax

www.wtadvisors.com

Weaver Tidwell Wealth Management is working for you

SELECTING A FINANCIAL advisor may be one of the most important decisions you can make regarding the long-term financial security of your family, for this and future generations. Making your money work for you is not magical. It is a combination of years of experience, development of a long-range plan, and the ongoing monitoring and updating of that plan. It is not science. It is not art. It is a combination of both, expertly crafted by the experienced team of Weaver Tidwell Wealth Management.

As individuals and as professionals, we understand the importance of keeping your information private. To this end, we will seek your prior approval before releasing any information to any third party. It's that kind of effort that continues to set Weaver Tidwell Wealth Management apart. We are committed to ongoing continuing education, community involvement, and the highest ethical practices. We are only going to do what's best for you. That's a promise.

Weaver Tidwell Wealth Management is in it for the long haul. We're not just looking for long-term relationships; we're looking for lifetime relationships.



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Weaver Tidwell Wealth Management, has offices in Dallas, Fort Worth, Houston.