MONEY CLIPS

State Treasurer Richard Moore's E-Newsletter
on Personal and Small Business Finance

Issue 3

December 2003

GREETINGS FROM THE TREASURER

I am pleased to bring you the third edition of the "MONEY CLIPS" e-newsletter. In this issue you will find articles about college savings, the transition to self-employment, social security, and taxes. These topics are included as a result of the Women and Money Conference evaluations.

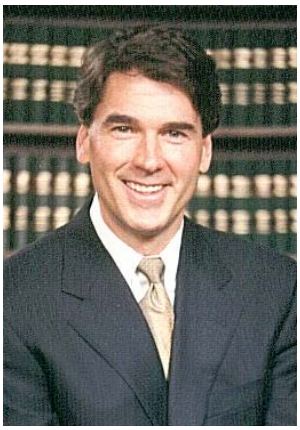
NORTH CAROLINA WOMEN AND MONEY CONFERENCES

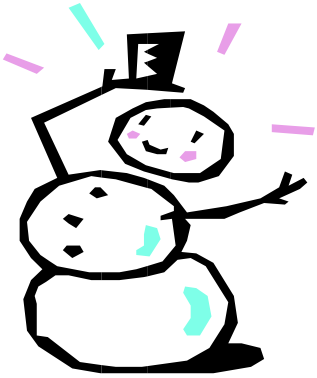
I have now hosted five conferences across the state of North Carolina. I hope you have found the information at the events to be beneficial. I am pleased to announce that I have expanded my focus for these financial conferences. In addition to the Women and Money Conferences, I am hosting conferences for ministers and non- profit organizations. These conferences are designed to provide our citizens with a trustworthy source of information on saving money, investing, planning for retirement and many other related issues. You can find more information about the conferences on our website at:

www.nctreasurer.com

I hope to see many of you at these events in the new year!

Happy Holidays!
Richard H. Moore
State Treasurer





Fall 2003 Women & Money Conferences:

Triangle Women & Money:

When: Saturday, September 27, 2003
Where: NC Central University in Durham

The conference was a hit! There were approximately 700 participants at the event! A special thanks to the advisory committee for all of their hard work!

Charlotte Women & Money :

When: Saturday, November 8, 2003
Where: University Park Baptist Church in Charlotte

The conference was a huge success!! There were approximately 800 participants at the event! In addition to the advisory committee, we would also like to thank University Park Baptist Church for the use of the facility!

We look forward to the new year and upcoming conferences!

College Savings Made Easy

Every child should have the opportunity to attend college, and state college savings programs help make that goal a reality. Nationwide, more than 5.5 million families have started accounts in state college savings programs. State 529 college savings plans offer great ways for families to save and great benefits, including:

Tax-advantages: the plans feature tax-deferred earnings, tax-free withdrawals, and generous estate and gift tax treatment.

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College Savings Made Easy - Continued

Multiple investment options: a full-range of investment options allows savers to build portfolios that are custom-tailored to their particular needs.
Control: account owners maintain control of the assets.
Flexibility: funds can be used for tuition, room and board, books, fees and more, at almost any accredited public or private college or university anywhere! Almost 10,000 families have invested a total of more than $113 million in North Carolina's National College Savings Program accounts. They make contributions on an occasional or a regular basis. Savers have the option of using a payroll deduction plan in participating workplaces, or using automatic withdrawals from their bank accounts.

Direct enrollment in the program is available through the Program Administrator, College Foundation, Inc. Contact the Program Administrator at the free information website, College Foundation of North Carolina, www.CFNC.org, or toll-free at 800-600-3453.

Treasurer Moore greeting the volunteer CPAs at the Triangle Women and Money Conference.

Participants listening to opening remarks from Treasurer Moore at the Triangle Women and Money Conference.

The Entrepreneurial Transition

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During a recent Durham Chamber Multi-Cultural Network dinner Master Motivator Les Brown shared some advice that gave most in the audience a charge. Brown said, "spend some time identifying something you are passionate about and you should then be able to figure out how to get someone to pay you to do it." In his normal entertaining yet serious manner he provided us with a clear example, he loves to talk. People pay him an average of $25,000 to talk for two or less hours, after many years of experience. How do you like those hourly rates? Although many seek self-employment some have unfortunately been forced to leave the "safety net" of corporate or government employment due to employer initiated separations in large numbers (i.e. layoffs, department spin offs, and plant closings.) Guess what? Self–employment is a viable option for many as long as the proper amount of research is performed. The entrepreneurial transition can be more enjoyable if you:

1. Select a business you can be passionate about and is compatible with your lifestyle and personal tolerations– visit **www.entrepreneur.com** for ideas.
2. Seek preliminary guidance - visit and Small Business & Technology Development Center **www.sbtdc.org** and NC Institute of Minority Economic Development, **www.ncimed.com.**
3. Develop your vision, mission statement and business plan (include your market surveys, etc.)
4. Determine how you will finance your venture (i.e. financial institution. Personal funds, and angel investors.)

Whether you're an executive, manager, or dreamer, you already have some preconceived notions and definitions of what being self-employed will provide you; but notions and dreams are not enough. Save time, money, and energy as you pursue your quest for self-employment. Start your research today using guidebooks and websites that provide practical

The Entrepreneurial Transition-Continued

advice that has been tested with "real" versus "theoretical" entrepreneurs. Potential entrepreneurs should prioritize identifying their passion and understanding finances as they attempt to embark upon self-employment. As "Your Money Really Matters" columnist Michael G. Shinn, CFP states one should also meet with financial and tax advisors, an attorney, insurance agent and banker. Educate your self on becoming self-employed using the web as well as books recommended by experienced financial advisors.

Genevia Gee Fulbright, CPA, a recent guest lecturer for the Triangle Women and Money Conference held at NC Central University, is the co-author of the recently released book Make the Leap: Shift from Corporate Worker to Entrepreneur [Infinity Publishing] the first 4-book series. For more information visit **www.makeleap.com.** Or call (919) 544-0398.

SPREAD THE WORD: Do you have a friend or family member that would like to know about our events? Please notify us by email at anna.fields@treasurer.state.nc.us or by calling (919) 508-5150.

Please tell us your friend's name, address, phone number, and email address. Thank you!

Tax Talk

There are a number of tax breaks available to those who choose to further their education beyond high school. These incentives promote higher education and provide opportunities to recover some tuition dollars through lower tax payments to Uncle Sam. In this article we will discuss two of the options available for the upcoming 2003 tax filing season. Additional information on education tax breaks can be found in **IRS Publication 970, "Tax Benefits for Higher Education."**

The Hope and Lifetime tax credits reduce your tax bill dollar for dollar in contrast to an itemized deduction which reduces the bill by a percentage of a dollar. The Hope credit provides up to $1,500 per student for each of the first two years of post-secondary education. The Lifetime Learning credit allows a credit of 20 percent of qualified tuition expenses paid by the taxpayer for any year the Hope credit is not claimed. Eligible expenses for both credits are tuition and fees. Books, room and board, transportation, insurance, or other student activity costs are **not** eligible expenses. When filing a federal tax return, expenses may be used in only one education incentive category for a student. Therefore, if tuition and fees are used as a credit, they **cannot** be used again as an "above-the-line deduction" on your federal tax return.

The allowable amount of the credits is subject to your modified adjusted gross income (AGI). As a part of your tax planning, keep in mind that tuition paid in December 2003 for a course that starts in January 2004 is counted toward the 2003 credit instead of the 2004 credit.

The "above-the-line" deduction for higher education expense is available for expenses paid through 2005. The maximum amount of this deduction is also subject to AGI thresholds. If your AGI exceeds the threshold amounts you cannot take the deduction. Also, you cannot take the deduction if you are claimed or can be claimed as a dependent on another taxpayer's return, or if your filing status is married filing separately. As mentioned in the above paragraph on credits, this deduction is not available for the student whose expenses provided a tax credit on a federal tax return. However, the state of North Carolina provides an additional tax break on state tax return regarding this deduction. Taxpayers that used the tax credits on their federal return can still take a $3,000 above-the-line deduction on their state tax return. For example, a taxpayer that qualifies for a $3,000 deduction on their federal return but instead takes one of the credits is still permitted to take that $3,000 deduction on their North Carolina state tax return.

Information on the North Information on the North Carolina rule can be obtained from the Personal Taxes Division of the North Carolina Department of Revenue.

This above-the-line deduction amount, on the federal tax level, will increase to $4,000 for the 2004 and 2005 tax years.

College tuition continues to rise. Check with SECU to see if a college loan would be helpful and consult with your tax planner about how these education incentives might result in tax savings to you.

Garland Avent, CPA
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Social Security Announces 2.1 Percent Benefit Increase for 2004

Monthly Social Security and Supplemental Security Income benefits for more than 51 million Americans will increase 2.1 percent in 2004, the Social Security Administration announced in mid-October.

Social Security and Supplemental Security Income benefits increase automatically each year based on the rise in the Bureau of Labor Statistics' *Consumer Price Index for Urban Wage Earners and Clerical Workers* (CPI-W), from the third quarter of the prior year to the corresponding period of the current year. This year's increase in the CPI-W was 2.1 percent.

The 2.1 percent Cost-of-Living Adjustment (COLA) will begin with benefits that 47 million Social Security beneficiaries receive in January 2004. Increased payments to 7 million Supplemental Security Income beneficiaries will begin on December 31. Some other changes that take effect in January of each year are based on the increase in average wages. Based on that increase, the maximum amount of earnings subject to the Social Security tax (taxable maximum) will increase to $87,900 from 87,000 in 2003. Of the estimated 156 million workers who will pay Social Security taxes in 2004, about 9.2 million will pay higher taxes as a result of the increase in the taxable maximum in 2004.

Information about Medicare changes for 2004 can be found at **www.hhs.gov**-the internet site for the Department of Health and Human Services.

2004 Social Security Changes

Cost-of-Living Adjustment (COLA):
Based on the increase in the Consumer Price Index (CPI-W) from the third quarter of 2002 through the third quarter of 2003, Social Security and Supplemental Security Income (SSI) beneficiaries will receive a 2.1 percent COLA for 2004. Other important 2004 Social Security information is as follows:

	2003	2004
Tax Rate:		
Employee	7.65%	7.65%
Self-Employed	15.30%	15.30%

Note: The 7.65% tax rate is the combined rate for Social Security and Medicare. The Social Security portion (OASDI) is 6.20% on earnings up to the applicable taxable maximum applicable taxable maximum amount (see below.) The Medicare portion is 1.45% on all earnings.

Maximum Taxable Earnings:

	2003	2004
Social Security (OASDI only)	$87,000	$87,000
Medicare	**NO Limit**	

Quarter of Coverage:

	$ 890	$900

Retirement Earnings Test Exempt Amounts:

Under full retirement age	$11,520/yr ($960/mo.)	$31,080/yr ($970/mo.)

Note: One dollar in benefits will be withheld for every $2 in earnings above the limit.

The year an individual reaches full retirement age	$30,720/yr ($2,560/mo.)	$31,080/yr ($2,590/mo.)

Note: Applies only to earnings for months prior to attaining full retirement age. One dollar in benefits will be withheld for every $3 in earnings above the limit.

There is no limit on earnings beginning the month an individual attains full age (65 and two months for retirees born in 1938 ; 65 and 4 months for those born in 1939).

Social Security Disability Thresolds:
Substantial Gainful Activity (SGA)

	2003	2004
Non-Blind	$800/mo.	$810/mo.
Blind	$1,330/mo.	$1,350/mo.
Trial Work Period (TWP)	$570/mo.	$580/mo.

Maximum Social Security Benefit:
Worker Retiring Age in 2003 and 2004

$1,741/mo. (Age 65 & 2 mos.)	$1,825/mo. (Age 65 & 4 mos.)

Note: For retirees born in 1938, full retirement age is 65 and 2 months; for those born in 1939, it is 65 and 4 months. Full retirement age will gradually increase to age 67 for those born in 1960 or later.

SSI Federal Payment Standard:

	2003	2004
Individual	$552/mo.	$564/mo.
Couple	$829/mo.	$846/mo.

SSI Resources Limits:

Individual	$2,000	$2,000
Couple	$3,000	$3,000

SSI Student Exclusion:

Monthly Limit	$1,340	$1,370
Annual Limit	$5,410	$5,520

Estimated Average Monthly Social Security Benefits Payable in January 2004:

	Before 2.1% Cola	After 2.1%COLA
All Retired Workers	$903	$922
Aged Couple, Both Receiving Benefits	$1,492	$1,523
Widowed Mother & Children	$1,865	$1,904
Aged Widow/er Alone	$870	$888
Disabled Worker, Spouse & One+ Children	$1,412	$1,442
All Disabled Workers	$844	$862

We're on the web:
www.nctreasurer.com

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