

Courtesy of: Royalty Owner Help Desk


 Life events

By the numbers

- Under the American Recovery and Reinvestment Act (ARRA), the first \$2,400 of unemployment benefits an individual receives in 2009 are tax free. Normally, unemployment benefits are taxable. (irs.gov)
- Entertainment and eating food outside the home can account for over 10% of consumer expenditures, according to the U.S. Bureau of Labor Statistics Consumer Expenditure Survey (2007).
- Only about 1 in 10 workers who lose their jobs keep their health insurance through COBRA, according to a survey by the Commonwealth Fund, a private foundation that supports research on health care issues. (health.com, 2009)

Contact your financial advisor for more information, or visit mfs.com.

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Handling a job layoff

Decisions that you make in the wake of a job layoff can have a long-term financial impact. Although the circumstances of your layoff can present many financial challenges, a radical restructuring of your financial priorities may not be necessary. What may be necessary is to review and address your priorities in a methodical way.

Step 1: Assess your income

Include severance, unemployment insurance, spouse's salary, rental income, investment income, Social Security payments, pensions, child support payments, and any other regular predictable income.

Step 2: Create a list of expenses

Start with your essentials and then move on to those expenses over which you have the most discretion. Credit card bills and bank statements can help track spending, especially if you use these cards predictably.

Step 3: Separate essential from nonessential expenses

Use a highlighter and quickly separate your list into items you consider essential and those you consider nonessential.

Take a serious look at nonessential items to see where you can make cuts. The goal is to

get a realistic idea of how you can get expenses in line with your income.

Step 4: Create a list of assets

Step 5: Identify assets that could bridge the gap between income and expenses

General principles to consider and keep in mind when "spending" long-term assets.

Use your emergency fund first. If you have set aside money, then now may be the time to use it.

Next, spend any investments that have already been taxed. Contributions to a Roth IRA can be withdrawn without tax implications, but there are taxes and possibly penalties with traditional IRAs.

Consider your 401(k) as your last option. If you take a withdrawal from your 401(k), your employer will withhold 20% and you may owe a 10% early withdrawal penalty (unless you are 55 or older when you lose your job).

Key points to consider

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Although you may need to postpone saving for retirement, it is important to resume some minimum level of saving as soon as you are able.

Hold off on the temptation to start repaying long-term debt. While this is an admirable goal, after a layoff you need to respect your day-to-day priorities.

Remember, one of the best places to turn for help in developing a recovery plan is your financial advisor.

Your financial advisor may be your best resource for helping you decide in which order to "spend" your assets.



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Record your expenses as a monthly amount. You may need to divide annual expenses (such as property taxes) by 12 or spread quarterly payments out over a year.

Income (monthly)		Household consumables		Other	\$
		– groceries	\$	– charitable donations	
– severance	\$	– takeout food		– gift expenses for	
– unemployment insurance		– health products and medicines		– birthdays	
– spouse’s salary		– cleaning products		– holidays	
– rental income		– beauty aids		– graduations	
– investment income		– dry cleaning		– showers, weddings, etc.	
– Social Security payments		Transportation		Monthly total	\$
– pensions		– car payments			
– child support		– car insurance		Surplus/shortfall	\$
– other		– car maintenance			
		– gas		Assets	
Monthly total	\$	– public transportation			
		– commuting costs		– lines of credit	\$
Expenses (monthly)		– predictable travel expenses (for annual family trips, vacations, etc.)		– checking accounts	
				– savings accounts	
Housing		Health and household finance		– certificates of deposit	
– mortgage payments	\$	– medical plan fees and/or expenses		– retirement plans	
– rent payments		– dental plan fees and/or expenses		– 401(k)	
– line of credit payments		– vision plan fees and/or expenses		– 403(b)	
– other home loan payments		– savings contributions		– 457	
– home/rental insurance		– mutual fund account contributions		– Roth IRA	
– real estate taxes (if paid separately from your mortgage)		– investment account contributions		– traditional IRA	
– condo fees		– 529 savings plan contributions		– Rollover IRA	
– home improvement expenses		Entertainment		– Stretch IRA	
– landscaping expenses		– dinners out		– SEP IRA	
– other municipal fees or expenses (landscaping, trash removal, etc.)		– movie and theater tickets		– SIMPLE IRA	
		– tickets to sporting events		– any additional investment account	
Utilities		– vacation expenses			
– electricity		Child care		Your financial advisor may be your best resource for helping you decide in which order to spend your assets.	
– heating		– daycare			
– water/sewer		– tuition			
– telephone		– music lessons			
– cell phone		– babysitting			
– Internet access		– student loans			
– cable TV		– school pictures			
		– school activity fees			

These are helpful hints only. Each person's goals and needs are different.

