

MONEY SENSE

Genesis
FINANCIAL MANAGEMENT INC.

Volume 4, issue 8

August 2008

NEW BEGINNINGS, DEBT FREE

Tax Relief for Mortgage Debt

There is now tax relief for struggling homeowners. If your mortgage debt is partly or entirely forgiven during 2007, 2008 or 2009 you may be able to claim special tax relief by filling out Form 982 and attaching it to your federal income tax return for that year.

Normally, debt forgiveness results in taxable income. But under the Mortgage Forgiveness Debt Relief Act of 2007, you may be able to exclude from tax up to \$2 million of debt forgiven on your principal residence. The limit is \$1 million for a married person filing a separate return.

Debt reduced through mortgage restructuring, as well as mortgage debt forgiven in connection with a foreclosure, may qualify for this relief. The debt must have been used to buy, build or substantially improve your principal residence and must have been secured by that residence. Debt used to refinance qualifying debt is also eligible for the exclusion, but only up to the amount of the old mortgage principal, just before the refinancing.

Debt forgiven on second homes, rental property, business property, credit cards or car loans does not qualify for the new tax-relief provision. In some cases, however, other kinds of tax relief, based on insolvency, for example, may be available. See Form 982 for details.

If your debt is reduced or eliminated you will receive a year-end statement (Form 1099-C) from your lender. By law, this form must show the amount of debt forgiven and the fair market value of any property given up through foreclosure.

The IRS urges borrowers to check the Form 1099-C carefully. Notify the lender immediately if any of the information shown is incorrect. You should pay particular attention to the amount of debt forgiven (Box 2) and the value listed for your home (Box 7).

For more information about the Mortgage Forgiveness Debt Relief Act of 2007, visit the IRS Web site at IRS.gov. A good resource is IRS Publication 4681, Canceled Debts, Foreclosures, Repossessions and Abandonments. This publication and Form 982 can be downloaded from IRS.gov or by calling 800-TAX-FORM (800-829-3676).

Remember that for the genuine IRS Web site be sure to use [.gov](http://IRS.gov). Don't be confused by internet sites that end in .com, .net, .org or other designations instead of .gov. The address of the official IRS governmental Web site is www.irs.gov.

Thanks to Marcia Bailey, Senior Tax Consultant with the IRS, for providing this article

Dollar \$aver\$: Check Out These Websites

Increasingly, consumers are turning to the Internet to find bargains and shopping tips. The following websites might help you save money, too.

divagirlsdeals.com—coupons, rebates, chat groups, guides to local coupon clubs, guides to restaurant deals and more.

restaurant.com—buy gift certificates for local restaurants at a discount- \$25 certificates for \$10, \$50 certificates for \$20 and more.

thegrocerygame.com—print out a list every week guiding you to the best deals at your local supermarkets.

moneysavingmom.com—blog with tips on saving at local stores, coupons, and deal alerts.

Stretcher.com—the Dollar Stretcher website. Money saving tips, articles, guides to saving on home and auto purchases and more.

Hotcouponworld.com—a clearinghouse of coupons for just about any store you can think of, plus shopping tips and forums.

Payment Address

Genesis Financial Management
P.O. Box 758602
Baltimore, MD 21275-8602

REMEMBER THE THREE-DAY RULE

If you're concerned that you may not have funds available for your monthly payment by the debit date and need to change the date and/or stop the debit, remember that we need 3 business-days notice. We are unable to stop any debits with less than 3-days notice.



A Bargain That Isn't

We frequently write about ways to save money, but there are some "deals" that really aren't that great. For example...

Manufacturer's Rebates— Studies show that less than half of all rebates are successfully redeemed, often due to the fact that companies make it deliberately hard to do so. They may only give you a narrow window of time in which to submit the rebate request, and/or mail your check in an envelope designed to make it look more like junk mail so there's a greater chance you'll throw it out. Some checks arrive already having expired. Bottom line: Read the terms carefully before you purchase a product just to take advantage of a rebate. (*Parade Magazine*)

Your net worth is the truest measure of your financial health. How do your numbers add up?

Genesis Financial Management

12640 Telecom Drive
Tampa, Florida 33637

Phone: (800) 460-8641
Fax (813) 866-5120

The "Schumer Box" is Consumers' Friend

Be honest now, did you read all of the terms and conditions that came with the last credit card you applied for? Many consumers don't, and we often end up paying for it in terms of very high fees and interest rates. We don't have to go blindly into the credit card game, though. Not if we pay attention to the "Schumer Box."

The Schumer Box is named for New York Senator Charles Schumer who sponsored the 1988 law that mandated it. It appears on the back of every credit card offer and application you receive. It contains some key information, including:

APR— This is the rate of interest you'll pay on purchases and should be in big

bold print. If it's a "teaser" rate, it should tell you how long it's good for. There really is no such thing as a "fixed" APR with credit cards. Most APR's can vary according to the prime rate.

Other APR's— In this section, they should disclose what the APR's would be for balance transfers and cash advances (often higher than the APR's for purchases) and what the penalty APR would be for missed payments or going over your limit.

Method of Computing the Balance for Purchases— Look for cards that use the "average daily balance" method. Cards that use "Two-Cycle Average Daily Balance or Billing" are really charging you interest based on an average of both your current and previous month's

purchases. This means you may end up paying interest on debt you already paid off.

Annual Fee— About two-thirds of credit cards don't charge an annual fee.

Only choose a card that has one if you know that the rewards you'll earn from using the card will cover the cost of the fee AND you don't carry a balance.

Other Fees— In this box, you'll learn what fees you may incur for transferring balances, taking cash advances, being late with a payment or going over your limit.



Do You Know Your Net Worth?

Can you tell if someone is "well-off" just by looking at them? Sometimes outward appearances can be deceiving. New cars, nice houses, designer clothes and big-screen TV's may send a message of "wealth," but how do we know the person that has these things isn't in debt up to their eyeballs?

True wealth is not meas-

ured by the amount of "stuff" you have but by your net worth— or, put another way, the value of all your assets minus your liabilities. A positive net worth is a sign of good financial health. It means that you're solvent and would, if you had to liquidate all your assets to pay off debts, still have money left over.

It's a good idea to review your net worth annually. To do so, add up the fair market value of assets like your home, car(s), investments and cash on hand in bank accounts and then subtract the sum of the balances owed on any debts, such as car loans, mortgages, student loans and credit cards. Your goal is to make that result a positive number.

Please Note: Monthly Statements Come in Advance

If you've ever gotten your monthly statement from us— whether via regular mail or email— and wondered in confusion about the date on it, we just wanted to clarify.

Statements are sent out in advance of the next month's payment. For example, a

statement dated August 1st would be for the payment due by or before Sept. 1st. If you've just sent in a payment at the time you get your statement, don't worry. The payment coupon with your statement is meant to be used for your next payment.

And on a related note, please make sure we have your current address, phone number and, if applicable, e-mail address on file. Otherwise, you may not be receiving your statements and/or important phone calls regarding potential account issues.

Visit our Website: www.YourGFM.com