

BudgetWise is a financial education newsletter from the Institute on Disability at the University of New Hampshire that provides helpful information on money management and public benefits for New Hampshire residents with disabilities.

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BudgetWise

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PLANNING AHEAD FOR TAX SEASON

It's probably the last thing you want to think about right now, but before you know it, Tax Season 2010 will be here. The best way to maximize your return—and minimize your tax season headaches—is to start planning for it now! Here are some helpful hints to start the process:

- Review your 2009 tax return to remind yourself of what credits and deductions you qualified for, what your income was, and whether you owed or got a refund.
- Take a few minutes to think about 2010: was it a lot like 2009 in terms of income and items to deduct or claim for credits? What were the differences? Make some notes for yourself.
- Start a “2010 taxes” folder and keep it somewhere safe (i.e. somewhere where you will remember it exists). This is where you can keep your notes, as well gives you a safe place to stash your W-2s, 1099s and other tax documents as they come in.
- Think medical deductions! Now is the time to request year-long statements from your doctors and pharmacies if you haven't kept your receipts – and from here on out, keep your receipts! If you have questions about what is a medical deduction, check out IRS publication 502.
- Start gathering receipts or requesting statements for any other deductions or credits you think you might qualify for. Possibilities include work-related expenses, charitable donations and education-related expenses.
- Keep an eye out for the VITA or Tax Aide site opening near you, and be sure to make an appointment before you go!

For more helpful information for Tax Season 2010, turn to page 3.

WHAT'S IN A CREDIT SCORE?

There's no doubt you have heard about credit scores before. Those pesky little numbers determine everything from who can get a mortgage to how high your credit card interest rate is, and in some cases may even be looked at by potential employers. But have you ever stopped to figure out what exactly a credit score is, and what goes into determining one?

A credit score is designed to predict the likelihood that you will become delinquent on your credit obligations in the 24 months after the score is produced. The higher your credit score is, the better credit you have, and the less of a risk you are. Scores range from 300 (F) to 850 (A+) in the FICO credit score model, which is the one used by the majority of financial institutions.

Elements of a credit score:

1. Payment history (35%) – including account payment information, presence of bankruptcy, judgments, suits, liens, wage attachments, etc., collection items, and/or delinquency, number of accounts paid as agreed.
2. Amounts owed (30%) – including number of accounts with balances and total amount owed on accounts.
3. Length of credit history (15%) – Time since accounts opened, time since account activity.
4. New credit (10%) – including number of recent credit inquiries, number of recently opened new accounts, and re-establishment of positive credit history following past payment problems.
5. Types of credit used (10%) – Number of various types of accounts (credit cards, retail accounts, installment loans, mortgage, consumer finance accounts, etc.).

While no one or two things will make or break your credit score, FICO takes into account every piece of information available in order to calculate the score – so the more positive information (and the less negative), the better.

If you are participating in the REAL Opportunities Study, your Money Coach can help you get your credit score and your credit reports, and review them with you! Call or e-mail Angela Haynes if you are interested in this service.

HOW DO I GET MY CREDIT SCORE?

Credit scores aren't something you can look up easily. One way you can get your credit score, for free, is by going to www.creditkarma.com. Credit Karma is a free website that allows you to get your credit score and track changes to it over time. For a small fee, you can also get your credit score at www.myfico.com, or when you get your free credit reports from www.annualcreditreport.com.

MORE ON TAX SEASON 2010...

Read on below for more information that will help you survive Tax Season 2010!

WHAT IS A VITA SITE?

VITA stands for Volunteer Income Tax Assistance, and is a program of the IRS. VITA sites offer free tax preparation services to moderate-to-low income individuals and families (usually with incomes \$49,000 or below) who need help doing their taxes. Volunteers who are certified in tax preparation assist with taxes and may help determine if folks are eligible for certain special credits. Many VITA sites also offer e-filing options, which greatly reduces the time it takes for refunds to be received! VITA sites are offered in community locations such as libraries and community centers; you can call 1-800-906-9887 to find one near you.

WHAT IS THE EARNED INCOME TAX CREDIT?

The Earned Income Tax Credit (EITC) is a refundable federal tax credit for low or moderate income working families or individuals. When EITC exceeds the amount of taxes owed, it results in a tax refund to those who claim and qualify for the credit. You must meet certain conditions about residency, having earned income, and not being claimed as a dependent by anyone else, among other restrictions. This tax season, take the time to find out if you and your family qualify for the EITC!

WHAT IS A REFUND ANTICIPATION LOAN?

A Refund Anticipation Loan (RAL) is a loan that is based on, and usually repaid by, an anticipated federal income tax refund. You are usually charged fees and interest on a RAL, just like any other loan, and just like any other loan, a RAL must be repaid in full—even if your tax refund ends up being smaller than you thought. While the big attraction of a RAL loan is that you can get it the same day as you file your taxes, the huge drawback is that you are paying interest and fees on your tax refund money, which can really reduce the final amount you get to keep. By e-filing your taxes and using direct deposit for your refund, you will usually get your refund within two weeks—interest- and fee-free.

WHAT TO BRING ON FILING DAY

- Original Social Security cards for self, spouse, and dependents.
- Valid picture IDs for self and spouse
- All W2s and 1099s for 2010
- Year-end documentation of Social Security benefits
- A copy of HUD statement if you bought a home in 2010
- If available, a copy of last year's taxes

If itemizing, also bring this documentation if applicable:

- Year-end mortgage statement
- Year-end student loan statement
- Year-end bank statements
- Work-related expenses
- Medical expenses
- Tuition or educational expenses
- Home improvements related to a medical or disabling condition
- Receipts for any fees you paid to for 2010 tax preparation
- Auto registrations
- Child-care expenses, including the provider's tax identification number or Social Security number
- Real estate taxes paid in 2010
- Proof of charitable donations
- Safety deposit box expenses paid

UNDERSTANDING OVERDRAFT PROTECTION PLANS

Have you ever bought a \$3 cup of coffee with your debit card, and had your bank add \$30 in fees because you didn't realize you didn't have enough money in your account to cover it? Did you ask yourself, "If I didn't have enough money in my account to pay for that cup of coffee, why did they let me buy it?!"



Your bank had you enrolled in a program called overdraft protection. An overdraft occurs when you make a purchase or ATM transaction but don't have enough money in your account to pay for it. For a fee, your bank will cover you when you become overdrawn. This fee can apply each time you overdraw your account. This form of "protection" can get pricey pretty quickly. You might not have even realized you had overdraft protection on your account. Until recently, banks were allowed to sign customers up for overdraft protection whenever they opened a new checking or savings account with them, without bringing it to the customer's attention or asking for their

permission.

In August 2010, however, the Federal Reserve passed a new rule that banks must allow customers to "opt-in" or agree to be in the overdraft protection program. This rule applies to all everyday debit card and ATM transactions. If customers decide not to opt-in to the program, then any debit or ATM transactions that would overdraw their account will be declined and no fee will be assessed. These new rules do not apply to things like automatic bill payments or checks, so your bank can still automatically enroll you in overdraft protection for these types of debits.

Overdrawing your account can be easily avoided by employing a few good financial management techniques:

- Keep an accurate check register and balance your checkbook regularly. If you simply cannot find the time to do this, at the very least check your online balance every single day.
- Link your savings account to your checking account. This serves as built-in, fee-free overdraft protection (as long as you don't overdraw the amount in your savings account!).
- Try to keep an extra \$50-\$100 in your checking account, a little extra "padding" just in case. This works even better if you try to forget it is in your account most of the time!
- If your bank offers it, sign up for emails or text-messages that will tell you when your account balances are low.



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PARTNER IN ACTION:

Rockingham Community Action

Rockingham Community Action (RCA) is a nonprofit serving the towns of Rockingham County, New Hampshire. RCA offers a variety of programs designed to help people in hard financial situations, including:

- Weatherization
- Free tax preparation (VITA sites)
- Fuel Assistance
- Head Start
- Individual Development Accounts (IDAs)
- Employment and Training
- Women, Infants and Children (WIC)
- Food Pantries
- Financial education

RCA also works in the greater community and at the state and national level, working to help families retain more of their income and develop assets to make self-sufficiency a reality.

Visit their website at www.rcaction.org, or call (603) 431-2911 for more information.

The Institute on Disability at the University of New Hampshire was established in 1987 to provide a coherent university-based focus for the improvement of knowledge, policies, and practices related to the lives of persons with disabilities and their families. Its mission is to advance policies and systems changes, promising practices, education, and research that strengthen communities to ensure full access, equal opportunities, and participation for all persons.