

“I didn’t know you could deduct that!”



The biggest mistake Americans make when it comes to their taxes is failing to take all the deductions to which they are entitled.¹ If you’re guilty of letting bona fide deductions slide, you may be paying hundreds – perhaps thousands – of dollars more in income taxes than necessary.

If this sounds like you, let this year be different. You have until April 15th to get it right. So, look over the following list of what you can deduct if you qualify:²

College tuition and related expenses, up to \$3,000 worth, for you, your spouse or anyone you claim as a dependent in 2003. The deduction rises to \$5,000 for the 2004 tax year. Be aware that there are income restrictions.³

Up to \$2,500 in **student-loan interest** charges for you or any dependent.

Higher contribution limits for IRAs (\$3,000 for tax year 2003, plus another \$500 if you are over age 50), with bigger deduction possibilities for Traditional IRAs. (You have until April 15th to make your contributions for 2003.)

Self-improvement expenses, including the cost of weight-loss and smoking-cessation programs prescribed by a doctor.

An increase in **child adoption expenses** from \$5,000 to \$10,000.

All valid **medical expenses** -- including out-of-pocket prescription drug costs, eyeglasses, contact lenses, hearing aids, that exceed 7.5% of your

Adjusted Gross Income. (Be sure to do the math on this. So, if your income was \$100,000 last year, you can deduct all out-of-pocket health care expenses that exceed \$7,500.)

Two thousand dollars if you purchased an approved **hybrid car** last year. (That deduction decreases to \$1,500 if you waited until 2004 to make your purchase.)⁴

If you are self-employed, up to 70% of your **health insurance premiums**.

Points incurred if you took out a mortgage (deductible all at once) or refinanced (with the cost spread over the life of the mortgage, in many cases).

Gambling losses, to the extent they offset declared, taxable winnings.

Job-search costs, including resume prep and travel, if they exceeded 2%

of your AGI. Also generally eligible are relocation expenses.

Caveat: Many of these deductions come with fine-print exceptions or income limits.⁵ That’s why it is imperative that you talk to your tax advisor before you act. Getting it wrong will only cause you to lose the deduction, pay more taxes, and open you up to a possible audit. So, double check.

¹ “Last-Minute Loopholes,” by Diane Kennedy, CPA (<http://story.news.yahoo.com>) March 5, 2003

² This article does not contain tax advice, but simply general information about tax issues. There are a number of factors to consider when taking deductions. Always check with your tax advisor for details first, since there may be income limits or other factors to consider

³ “What’s New for Your 2002 Return,” SmartMoney.com February 6, 2003. Web page: http://biz.yahoo.com/smart/030206/20030206taxmatt_3.html

⁴ “Last-Minute Moves Now Can Save Taxes in April,” by Susan Tompor, Detroit Free Press, December 22, 2003

⁵ “Some Deductions Easily Overlooked,” Knight Ridder Newspapers, March 23, 2003. Web page: www.bayarea.com/mld/cctimes/business/5470283.htm

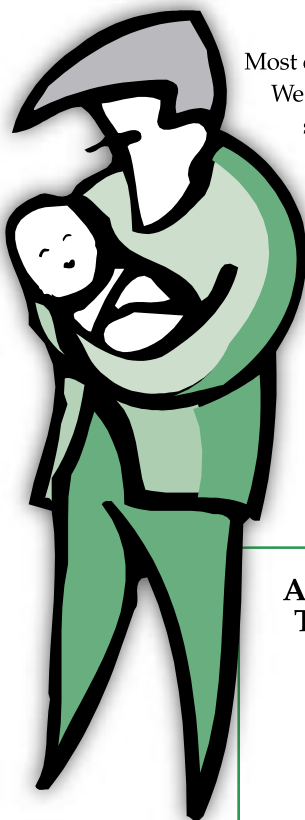
Congratulations on Your New Baby!

Whether you are a first time parent or a veteran of refereeing sibling squabbles and who-put-the-empty-milk-carton-back-in-the-frig inquisitions, parenthood can be simultaneously the most rewarding and challenging undertaking of our lives.

Our children give us gifts only a parent can understand -- from sticky-finger hugs and "Can I come?" pleas to tag along on Saturday morning errands, to the unique pain and pride as we watch them prepare for their first dates or our laugh-concealed heartache as they announce that we aren't to talk to them when their friends are around.

We raise them with a clear goal that we secretly dread will actually take place -- that someday, they will be grown, independent, ready to move out into the world on their own...and our work will be over.

As our children travel this long and never-dull road from infancy to adulthood, we nurture them, worry about them, scold them, love them.



Most of all, we try to protect them. We want them to grow up in a stable world, one in which they are physically safe and financially secure. Meeting the costs can be a challenge. On average, it costs \$249,180 to raise one child from birth to age 18 in a household with an income of at least \$65,800.¹

Then add college. The average annual cost for tuition, fees, room and board at a four-year

the amount you want to help your family meet living expenses, pay the mortgage, even provide a college fund for your children.

Purchase disability insurance. If you become totally disabled and cannot work, disability insurance can replace -- up to 60% of your gross income in many cases -- so you can continue meeting your financial obligations until you are back on your feet again. Importantly, your policy's proceeds won't be reduced by income taxes because you (rather than your employer) own the policy.

AMOUNT OF MONEY AVAILABLE WHEN YOUR CHILD TURNS 18 IF YOU SAVE THE FOLLOWING AMOUNTS EACH MONTH (ASSUMING 6% INTEREST)

Child's Age Now	\$100/ Month	\$200/ Month	\$300/ Month	\$400/ Month
Newborn	\$38,735	\$77,471	\$116,206	\$154,941
4	\$26,231	\$52,462	\$78,693	\$104,924
8	\$16,388	\$32,776	\$49,164	\$65,552
10	\$12,283	\$24,566	\$36,849	\$49,132
14	\$5,410	\$10,820	\$16,230	\$21,640
16	\$2,543	\$5,086	\$7,629	\$10,172

The above do not represent any specific investment product or return. They are provided for illustration purposes only.

According to Weiss Ratings, Inc., 22 insurance companies (not including HMOs) became insolvent in 2003 and 28 in 2002.¹ Therefore, Weiss suggests checking the carrier's financial security before purchasing a policy and periodically thereafter.

If you're insured under the AAFP Family Physician Insurance Program, your Academy does the monitoring for you. Your Academy's life and disability programs are underwritten by New York Life Insurance Company which maintains Weiss' top (A, excellent) rating is one of the strongest life insurers in the U.S.A.²

For information about your AAFP-sponsored plans, contact AAFP Insurance Services at (800) 325-8166. There is no obligation, and no agent will contact you. www.aafpins.com

public university for the 2003-2004 school year comes to \$10,636. That figure is \$26,854 for private institutions.² Multiply that times four years, and then by your number of children, and one thing is obvious: Children are expensive.

This is why your Academy suggests that, above and beyond your day-to-day efforts to provide for your children, you take the following steps to help protect their financial well-being:

Review your life insurance coverage.

Make sure that, if you died tomorrow, the money would be there to replace your income and help your family -- your children and your spouse -- maintain their standard of living. With life insurance, you can select

Start building a college fund...now.

College costs may seem daunting (and they are expected to keep going up), but you have about 18 years before your newborn will be a freshman. By starting today, you can make sure the funds are there to help your children become debt-free college grads.

Once again, congratulations. Enjoy your children. And remember, just as they are important to you, you are important to them. Make sure they're protected financially... no matter what.

¹ "Facts About Children", 2003 Field Guide to Estate Planning, by Donald F. Cady, C.L.U., J.D., LL.M.

² "Tuition Levels Rise..." The College Board (10/21/03). www.collegeboard.com/press/article/0,3183,29541,00.html

Smart-Money Summer Vacation Planning Starts Now

Every summer, Americans take to the highways and skyways for their annual vacations...spending billions of dollars along the way. Whether you plan to jet to Europe for a two-week spree or pile into the family car for a driving tour of our nation's historic sites, the better you prepare before you go, the better the odds that you will enjoy a no-ugly-surprises trip...and get the best bang for your vacation dollars. So, the time to start planning is now.

The travel-vacation industry is booming

...and getting bigger each year. How big? According to the Travel Industry Association of America, travelers spend more than \$529 billion a year, making the travel and tourism industry one of the largest in the country.¹

Still, the travel industry is struggling

to recover from more than three years of economic disarray, including the drop in travel following 9/11. So, vacation deals abound this year for the savvy traveler...from deep discounts on airline reservations to give-away rates on rooms and a ton of freebies from resorts trying to bag your business.

The key to big savings is to plan your vacation carefully in advance. That's why it's a smart-money move to firm up your summer vacation plans now...and lock in super discounts while you can. Ideally, you should be able to skim as much as 50% off the cost of your vacation...without giving up any of the benefits. Or, you can trade up to more luxury.

What to do right now:

- Firm up your plans...whether it's driving the family truckster cross country, cruising to Alaska or cozying into a beachfront cottage by the shore. Decide where you want to go and how much you want to spend.
- Cruise the internet for deals. A few hours spent on your computer could save you a ton of money. The internet has brought prices down dramatically, but you have to do your homework.
- Consider joining an organization or travel club (such as AAA, AARP or one of the



big airline clubs) that provides hassle-free discounts on hotels and car rentals. Many organizations offer a wealth of free services and highly competitive travel packages...such as half off reservations at member hotels and resorts and deep discounts on flights. Some will actually help you plan your trip. Even if you use your membership only once, it can be worth the nominal annual membership fee.

- Make all reservations soon, no later than 60 days in advance. The people who generally pay the highest prices are those who walk up to the counter and say they need a room/car/flight TODAY. (One exception: If you love to fly by the seat of your pants, look for last-minute deals that may take you to places you'd never have considered on your own.)
- Don't be afraid to dicker about accommodations and rates. Secret price lists with hotels and resorts are common. Always ask: "Is this the absolutely lowest price you have available?" You may be pleasantly surprised. (Then call back in

a week and ask again; the rates may have dropped again.)

- Get -- and keep -- confirmation numbers. Hotels are especially adept at losing low-rate room reservations.

Other tips to help guarantee that you have a great time on your vacation:

- Beware of credit card blocks. It's common practice for hotels to stake a claim to a portion of your credit card limit. It's all legal and should not be a problem...unless you were counting on using plastic to the max on your vacation. You could end up tapped out and a thousand miles from home.
- Pay down your credit card balances in advance, just to be on the safe side.

You'll probably spend several thousand dollars on your vacation this summer.

Planning in advance can help you save money, get the best value for the dollars you spend and have a fun-filled, stress-free time. Enjoy your trip.

¹Travel Industry Association of America. www.tiaa.org

Your FINANCIAL HEALTH

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Tar Wars

Get Involved With Tar Wars Today! You can help teach kids about the high cost of tobacco use with Tar Wars, the AAFP's tobacco prevention program for fourth- and fifth-grade students. For more information about the program and how to become a Tar Wars presenter in your community, go to www.tarwars.org or call 800-TAR-WARS.



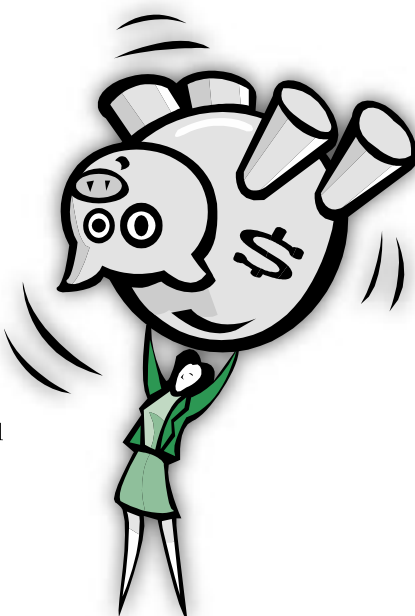
FINANCIAL FOOTNOTE...

Americans, especially Baby Boomers, have quit saving for retirement.

According to *USA Today* (11/17/03), contributions to 401(k) plans are down for the first time in 20 years. Plus, the number of Americans who are saving for retirement has reached the lowest level since 1980, with the biggest drop among Americans age 49 to 59. What to do: Kick your retirement saving into high gear, maxing out your IRA contributions and payroll deductions into employer-sponsored plans.

For many middle-aged Americans, their anticipated inheritances from their parents never happened.

According to a survey sponsored by AARP (*USA Today*, 11/18/03), the median inheritance of Baby Boomers – which just a few years ago was projected to be in the hundreds of thousands of dollars – was a disheartening \$47,909.



Your FINANCIAL HEALTH

Your Financial Health is sent to Academy members courtesy of AAFP Insurance Services, Inc. Material for this publication is written by John R. Ingrisano—author, educator and journalist on money management and financial matters. Mr. Ingrisano has served as an advisor to AAFP Insurance Services since 1985.
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