

April 2007 *MoneyMinute* – Book Review and Last-Minute IRA Tips

By Julie Schatz, CFP®

Book Review: *The Richest Man in Babylon*, by George S. Clason

Every once in a while we come across a book that will appeal to many of our clients and readers. *The Richest Man in Babylon* is one of those books. If asked to state the moral of this story in one sentence, I would sum it up with: You either choose to make money your slave and have it work for you, or you may become a slave to money.

This book, first published in 1926, tells its story through a series of entertaining parables. The parables deal with acquiring wealth, hanging onto wealth, growing wealth, borrowing and lending, and managing debt.

In the stories of the “seven cures for a lean purse” and the “five laws of gold” you will find the ubiquitous advice to set aside no less than 10% of all you earn for yourself, but you will also find bits of wisdom not as often repeated. Some of my favorites are:

- Seek wise advice: Would you go to the chariot maker to ask advice about jewels?
- There is much value in hard work and enjoying your work.
- Increase your ability to earn: Improve your skills and cultivate your desire for wealth.
- Beware of needless delay when prompt action is required. Good luck follows when one recognizes a good opportunity and seizes it.
- Gold flees from one who chases impossible earnings. Beware of the get-rich-quick tales; building wealth is a steady process.

The final thought from this book to leave you with is to remember that the wealth of the world is not finite – it grows as we continue to work and add value. There is abundance for all.

Last-Minute IRA Guidance and Tips:

1. Think you don't qualify for a Roth IRA? You may, beginning in 2010. so you'll want to start preparing now. Due to new rules enacted by Congress in 2006, everyone will be eligible do to a Roth conversion, regardless of income. At Investor's Capital Management, LLC we are huge fans of Roth IRAs. For every year that you qualify, contribute the maximum amount to your Roth IRA. But because of the income caps on Roth contributions (~\$110,000 for single and ~\$160,000 for married filing joint) many people are not eligible to contribute. If you do not qualify for a Roth IRA and do not currently have an IRA (or have only a small amount in an IRA), then you have a unique opportunity to take advantage of this new rule, as long as Congress doesn't change the law again before 2010. Open up a Contributory IRA account for yourself (or spouse) and contribute the maximum allowable every year through 2010. These contributions are non-deductible. Then in 2010 you can convert this to a Roth IRA and only pay tax on the earnings (your contributions in this case are non-taxable). Please consult with your financial advisor or your tax professional to be sure this is a prudent plan for you.

2. Did you make a non-deductible contribution to your IRA? Make sure you file Form 8606 with your tax return to keep track of your cost basis in your IRAs. Since you do not receive a tax deduction for making a non-deductible contribution to your IRA (it is considered cost basis), you will not pay tax on this money when you withdraw it. Form 8606 keeps track of the total amount within your IRA that is not taxable.
3. Deadline for 2006 contributions is Tuesday, April 17. If you invest with ICM, then your account application (for new IRA accts) and check must be mailed to Schwab by the 17th. If your account is already opened, you can stop at a Schwab branch office to make your contribution on or before April 17th.
4. Write the year for which the contribution is being made in the memo section of your check (i.e. 2006 IRA contribution).

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Rich Chambers, CFP®
Julie Schatz, CFP®
Jennifer Cray, CFP®
Investor's Capital Management, LLC, Menlo Park
Providing Unbiased Guidance to Financial Success
Member of NAPFA and the Garrett Planning Network
650-323-4706 info@feesonly.com <http://www.feesonly.com>

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