Buying or Leasing Your Next Car

Which is better, buying or leasing my next car?

It depends on factors such as 1) what kind of deal you can make with the dealership, 2) the typical mileage you put on your car, 3) how much you wear down a car, and 4) the primary use for the car.

To determine whether leasing or buying is best, compare the costs and other issues involved in a lease or purchase. The following factors should be considered:

- Beginning costs
- Continual costs
- Total costs
- Is there a possibility of deduction of any of the costs due to the car being used for business
- How important is it to have ownership of the car

When buying a car, how can I get the "best buy"?

You first need to decide on the type, size and options of the car you would like (such as manual, automatic windows, airbags).

You then need to decide what the car dealer has to pay for the car of your choice - the "invoice cost". The difference between the sticker price and the invoice price can be negotiated.

You can obtain this information two different ways. The best way is to look at an auto pricing service supplied by a consumer group or an auto magazine. For instance, Consumer Reports New Car Price Service (800-933-5555), at a price of $12 per model will give you details of the invoice price and the sticker price that can be adjusted for options or rebates as well as tell you how to use the data for negotiating. This is the best way because it gives you the most recent information.

Another way is to use pricing guides that can be found on the Internet. Two popular sites are Intellichoice (www.intellichoice.com) or Edmund's New Car Prices (www.edmunds.com). You may also be able to obtain these books at the library and they will give you an idea about the information that you need instead of exact data.

If you have a trade-in, you will want to find the value of that car too. You can use the N.A.D.A. Official Used Car Guide (check your local library or www.nada.org) to look up your used car.

Now it's time to begin negotiating with dealers. Because you know the invoice price, you can use that information to bargain for the lowest mark-up from the dealer's cost.

An amount like $300 to $500 above the dealer's cost is a sensible mark-up, unless the car you want to buy is either difficult to get or very popular.

Any attempts by the dealership to sell you rustproofing, undercoating, or other extras should be refused. You may want to invest in an extended warranty, depending on the model's repair history.

How can I negotiate for a new car?

Keep in mind that you are not just looking for a car. You also have to select a dealer with whom you will continue a long-term relationship with, as you usually have to service your car at the dealership. If you aren't comfortable with the dealership, go somewhere else.

A good time to try for a good bargain on a car is the last Saturday of September, October, or December.

Before you start looking for a car, learn about the financing options. You can be prepared when the dealer starts to discuss financing if you are aware of what the banks are charging.

Some points you will want to highlight during the negotiations are:

- You are aware of the exact model and options you want
- You are shopping around and will get quotes from other dealerships
- You will not be talking about financing or trade-ins until the dealer has given an offer and make sure not to mention a trade-in until the price has been negotiated.
- You are fully aware of the invoice cost of the car

Lastly, go to other dealerships even if you think you have a great price.

Do I negotiate on a car lease the same as I could on a car purchase?

Like a loan, the monthly lease payment is reliant on the term of the lease, the implied interest rate and the initial "purchase price" of the car. The "lease-end" or "residual" value varies from a loan, but is still important. This is the value that is expected at the end of the lease term.

You are paying the difference between the initial purchase price and the residual value in a lease. The lowest purchase price should be negotiated, which will lower the cost of leasing. If you don't intend to buy the car at the end of the lease term and it is closed-end, you might want to negotiate a higher residual value. Make sure that your expected mileage during the lease aligns with the allowed mileage in the agreement. If it doesn't, you may pay significant penalties when you turn the vehicle back in to the dealer.

How does an auto lease function?

Lease arrangements come in two different types: open-end or "finance" and closed-end or "walk-away." This is how they work:

Open-End: The Risk of Depreciated Value Falls on You

At the end of the lease, the customer accepts the risk that the car will have a particular value or "estimate residual value" at the end of the lease. Due to this, the monthly payment is lower.

At the end of the lease and your return of the car, it will be appraised. If the appraised value of the car is equal to at least the estimated residual value stated in the agreement, it will not be necessary to pay anything. With certain contracts, it is possible to receive a refund if the appraised value is lower than the residual value, although, you might have to pay part or all of the difference.

Closed-End: The Risk of Depreciated Value Falls onto the Dealer

At the end of the closed-end lease, the car is returned to the dealership and you simply walk away. It must be returned with only normal wear and tear, and with less than the mileage limit that is stated in the lease. The monthly payment is higher than an open-end lease because the dealer bears the risk that the car's value with decrease by the end of the lease.

What is included in the initial costs of leasing a car?

Learn what the total initial costs will be when determining if you want to lease or buy. You will use this total amount to compare to the cost of buying.

Initial costs are the amount you will need to come up with for the down payment when you lease a car. The security deposit, the first and last lease payments, the "capitalized cost reductions," the sales taxes, title fees, license fees, and insurance are included. Usually the initial costs amount to less than the down payment that is necessary to purchase a car. During the bargaining with the dealer, all initial costs are open for negotiation.

The Lessor must disclose all up-front, continuing, and ending costs in a standard, understandable format according to the Federal Consumer Leasing Act.

What should I ask about the car lease?

Here are a few questions that should be answered before you sign a car lease:

- What types of leases are obtainable and what are their differences? (Two were explained previously, but dealers may have variations.)
- What will the initial costs of leasing be?
- What will the continuing costs of leasing be?

- Will my initial cost or continuing costs decrease due to a trade-in?
- Can I exceed the specific mileage in my lease?
- If I take an early termination or a purchase option, how will my mileage allowance be enforced?
- If I fall behind in my payments or want to stop leasing, can I sublease?
- If I want to terminate my lease before the agreement is up, what happens?
- Do I have options at the end of my lease?
- What can I expect to pay at the end of the lease?

When I lease a car, why is a security deposit required?

If you owe money at the end of the lease or if you miss a monthly payment, the Lessor is permitted to keep the security deposit. It may also be used to cover the car's damage or excess mileage from the limit stated in the lease by the dealer. Your security deposit is given back to you if you do not owe anything at the end of the lease's term.

How much will I be charged at the end of an auto lease?

At the end of the lease period, the federal Consumer Leasing Act (CLA) puts a limit on how much the dealer can collect. The dealer cannot collect more than three times the average monthly payment.

For the following reasons, a dealer may collect a higher amount:

- The miles are higher than stated in the lease or the vehicle has unreasonable wear and tear.
- There was an agreement to pay an amount greater than what is stated in the original contract.
- The Lessor wins a lawsuit for a higher amount.

At the end of the term of the lease, the dealer may opt to sell the car. If the car is sold for less than the residual value specified in the leasing contract, you may be obligated to pay as much as three monthly payments to make up the difference.

You may want to negotiate to have the right to approve the final sales price as part of the lease agreement, so the dealer does not sell the leased car for less than the residual value just to get the car off the lot.

A few other things to keep in mind:

- You do not get a refund if you stay under the mileage limit.
- You probably won't have to pay for excess mileage if you purchase the car at the end of a closed-end lease and you exceed the mileage allowance.

What must the dealer disclose about ongoing lease items?

Dealers must disclose the total number of payments, total amount of those payments, a schedule of payments, and the amount of each payment in accordance with the Consumer Leasing Act. The Lessor must inform you if there is a penalty for late payment.

What type of lease is a "maintenance lease"?

The dealer bears the maintenance expenses in a maintenance lease. The opposite is true in a non-maintenance lease. If the dealer provides repair and maintenance, you will need to bring the car to the dealership in line with the suggested schedule by the manufacturer to maintain the warranty coverage. (You will typically have to obey the manufacturer's scheduled maintenance in order to guarantee warranty coverage, even if you have to pay for the repairs.)

You pay the dealer a set amount for maintenance each month in what is called a budget maintenance provision. The dealer subtracts maintenance expenses that are incurred from your maintenance account. When the lease ends, you will make up the difference or receive a refund if more was deposited than used.

Are there final costs and if so, what are they?

The final costs include:

- Charges for excess mileage
- Typically, closed-end leases have mileage limitations. It is necessary to pay a fee if you go over the allowable mileage at the completion of your lease.
- There is no penalty with an open-end lease if you go over the mileage limit, although the appraisal value will likely be lower.
- Default fees
- Any payments or security deposits that the dealer doesn't collect from you, or the costs and legal fees the dealer incurs to recuperate costs are covered here.
- Charges for excessive wear and tear
- When you return the car at the completion of the lease, you will need to pay for any charges due to excessive wear and tear. You must be informed in writing by the dealer of the specific definition of excessive wear and tear. Typically, it signifies anything past the regular usage, both physical and mechanical.
- Charges of disposition
- Costs of cleaning the car, doing final maintenance and tune-ups are included. The dealer may defer these costs to you if the agreement does not specify otherwise.

What is an option for a lease-purchase?

At the end of your lease term, you may have the option to purchase the car. This is more commonly found in open-end rather than closed-end leases. The dealer must inform you of the estimated residual value of the car and formula to be used to figure out the purchase price at this time.

What are my options for early termination of the lease?

You will need to pay an extra charge if you end the lease before the completion date based on the difference between the estimated residual value at the end of the lease and the actual residual value at the given time. This may be a large difference. Most agreements state that you must have the car for a minimum of 12 months.

Before you sign the contract, the dealer must tell you whether you may terminate early, and the cost of early termination.

What is implied by a capitalized cost reduction?

It is very similar to a down payment. You may be asked by the dealer to put a certain amount of money down before the lease begins. The capitalized cost reduction varies with the geographic area and the customer's credit rating. The smaller the monthly payment, the greater the down payment will be. Those that want to lease instead of buy normally don't want to pay a large down payment - not having a down payment is one of the major benefit of a lease.

Getting Married

How does legal treatment differ between married and unmarried couples?

Unmarried couples don't:

- Inherit each other's property automatically. Married couples have the state intestacy laws to support them if they do not have a will. Under the law, the surviving spouse will inherit (at the minimum) a fraction of the deceased spouse's property.
- Have the privilege to speak for one another in a medical crisis. In the case that your life partner loses capacity or consciousness, someone will have to make the go-ahead decision for a medical purpose. It should be you, but if you haven't filed certain paperwork, you may not have the ability to do so.
- Have the privilege to handle one another's finances in a crisis. A married couple that jointly own assets is less affected by this problem than an unmarried couple.

How should unmarried couples protect their estate and financial holdings?

Here are some important steps to take for couples that are unmarried:

- ***Draft wills***. The chances of the intentions being followed through with after a death are greater if both partners make wills. Without wills, the probability of the unmarried surviving partner having no rights is more likely.
- ***Think about owning property together***. This is a way to guarantee that property will pass to the other joint owner at the time of the other's death due to the right of survivorship.
- ***Make a durable power of attorney***. This will permit the partner to sign papers and checks and take care of other financial issues on his/her behalf should one become incapacitated.
- ***Make a health care proxy***. Also known as a medical power of attorney, this permits the partner to talk on your behalf to make medical decisions, should you become injured.
- ***Have a living will***. This lets your wishes regarding artificial feeding and other measures to prolong your life be known.

Is more insurance necessary for married couples?

In the case of death, life insurance will provide a form of income for your dependents, children or whoever is your beneficiary. Because of this, married couples usually require more life insurance than singles.

Having someone dependent on your income will determine if you need to have life insurance. If someone such as a child, parent, spouse or other individual is dependent on your income, you should have life insurance. The following are situations where life insurance is necessary:

- Single parents or families with young children or other dependents. The younger your children, the more insurance is necessary. Insurance should be in proportion to the amount earned. If both spouses are working, they should both be insured. If both earners cannot afford to be insured, the primary wage earner should be the first to be insured and the secondary will follow. To fill the insurance gap, a less expensive term policy may be used. Insurance should be bought to cover the absence of services such as childcare, bookkeeping, housekeeping, which are provided by the spouse that works within the home. The insurance that covers the non-wage earner is secondary to the insurance that covers the wage earner's life, if funds are scarce.
- Adults that have no children or other dependents. You will need less insurance than people in the previous situation if your spouse can live comfortably without income. However, some form of life insurance is still necessary. You will want at least enough to cover burial expenses, to pay off any debts you may have acquired, and to provide an easy transition for the surviving spouse. You may want to buy more insurance if you think your spouse would go through financial hardship without your income or if your savings aren't adequate. This depends on your salary

level as well as the amount of your spouse's, the amount of savings you have and the amount of debt incurred.

- Single adults without dependents. Unless you would like to use insurance for the purposes of estate planning, you will only need insurance to cover expenses for burial and debts.
- Children. Typically, children only need life insurance to cover burial expenses and medical debts. An insurance policy could also be used as a long-term savings instrument, in some instances.

Who needs to be notified if a spouse changes their name after marriage?

All organizations that you had correspondence with while using your unmarried name should be notified. You can begin with the following list:

- The Social Security Administration
- Department of Motor Vehicles
- Post Office
- Investment and bank accounts
- Employer
- Voter's registration office
- School alumni offices
- Credit cards and loans
- Club memberships
- Retirement accounts
- Subscriptions
- Passport office
- Insurance agents

Should I update my will when I get married?

Definitely. When an important life event occurs such as marriage, it should be updated. If not, your spouse and other beneficiaries will not get what is meant for them at the time of your death.

After marriage, what are the tax implications?

You are entitled to file a joint income tax return upon marriage. Although this simplifies the filing process, you will more than likely discover that your tax bill is either higher or lower than when you were single. It's higher when you file together, as more of your income is taxed in the higher tax brackets. This is commonly known as the marriage tax penalty. In 2003, a tax law that intended to reduce the marriage penalty went into effect, but this law didn't get rid of the penalty for higher bracket taxpayers.

Once married, you may not file separately in an attempt to avoid the marriage penalty. Actually, filing as married filing separately can raise your taxes. For the optimal filing status for your situation you should speak with your tax advisor.

Can married couples hold property?

Yes. After marriage, there are many ways of owning property. They differ from state to state.

- Sole tenancy, which is when one individual has ownership. The property is passed on in accordance with the will at death.
- Joint tenancy, with the privilege of survivorship. Two or more people have equal ownership. The property is passed to the joint owner upon death. This should be used to effectively avoid probate.
- Tenancy in common, property has joint ownership with the privilege of survivorship. The property is passed on according to your will upon death.
- Tenancy by the entirety, like joint tenancy, with privilege of survivorship. This doesn't allow a spouse to get rid of the property without the other's consent and is only possible for spouses.
- Community property, property that is gained through marriage that has equal ownership. States such as AZ, CA, ID, LA, NV, NM, TX, WA, and WI allow community property.

Getting divorced

Is it possible to financially prepare for divorce?

A plan for the termination of the financial partnership of the marriage is crucial if you are thinking of divorce. All financial assets and liabilities that have been acquired during the years of marriage will need to be divided. If children play a role, the support that will be paid to the custodial parent in the future should be taken into account.

The time put into organizing this will be worth it in the long run. The following are a few steps to consider:

- Prepare an inventory of your financial situation that will help you in two ways:
- It will aid in determining how debts accumulated during the marriage will be paid off. (It is best to try and get all the joint debt (credit card debt) paid off before the divorce. To come to an agreement as to the method for paying them off, it is smart to make a list of the debts.)
- It will give you an introductory look at the information needed to divide the property.
- Prepare a list of all assets, whether joint or separate, that includes:
- Your residence(s)
- The value of any brokerage accounts

- Your valuable antiques, jewelry, luxury items, collections, and furnishings
- The current balance in all bank accounts
- Your autos
- The value of investments, including any IRAs
- Locate copies of the last two or three years' tax returns. These will be beneficial later.
- Know the exact quantity of salary and miscellaneous income brought home by your spouse and you.
- Obtain all papers regarding insurance, life, health, pension, and other retirement benefits.
- Make a list of debts that are owed both separately or jointly, including mortgage, credit card debt, auto loans and other liabilities.

How should credit card accounts be dealt with during a divorce?

As soon as you know you are going to be getting a divorce, immediately cancel all joint accounts.

Regardless of who accumulated the bill, creditors can legally try to collect payment from either party on the joint credit card or other credit account. You will be responsible for payment as long as your name appears on the joint accounts.

The agreement that is reached during the divorce may state who must pay the bills. From the creditor's point of view, both your spouse and you are responsible as long as the joint account stays open. The creditor will attempt to receive payment from who they think are most likely to pay while reporting late payments to the credit bureaus in both names. Due to the irresponsibility of the co-signer, your credit history could be harmed.

You may be required to pay the remaining balance in full upon closure of the account. If this is the case, ask the creditor to distribute the outstanding balance to separate accounts.

What can I do when my current or former spouse's bad credit affects me?

It is possible to separate yourself from your spouse on your credit report, if the spouse's credit is hurting yours. If you can prove that he/she opened the shared accounts prior to marriage and that he/she pays the bills, you might succeed in convincing the creditor that the damaging information is relevant to your spouse and not you.

It may take persistence to demonstrate that the credit history in question doesn't reflect your own.

After a divorce, what happens to my credit history?

If the name on your account changes, lenders may appraise the application and credit line to decide if your qualifications meet the credit standards. You may be asked to reapply.

To avoid inconvenience, maintain credit in your own name. Preserving your own, separate, credit history makes things easier in the future. In an emergency, if you need credit, it will be available.

Avoid using your spouse's name - i.e. , Mrs. Peter Johnson - for purpose of credit.

Get an update on your credit report. Be sure that your name, as well as your spouse's, is being reported correctly. If you would like to use your spouse's credit history to your benefit, simply write a letter to the credit agency and request that both names be put on the account.

Find out if there is any incomplete or inaccurate data in your account. Send the credit bureau a letter asking them to correct this information. They need to confirm receipt within a normal time period and inform you when the mistake is fixed.

Improving your own credit history in your name should be simple if you have been sharing accounts with your spouse. Make a call to a major credit bureau and ask for copies of your account information. Get in touch with the issuers of the cards with whom you share accounts with your spouse and request to have your name on the account as well.

During a divorce, what are the legal issues that must be handled?

Make an agreement with your spouse to plan for the legal issues that will be dealt with in the future, such as division of property, alimony or support payments and child custody. The amount of time and money that will be spent trying to reach a legal solution will be lessened dramatically if this can be done, either with the help of lawyers or court.

The following are general tips to face the legal aspects of divorce:

- If there are important issues with regards to child custody, alimony or assets, find your own attorney.
- Use referrals from other professionals, trusted friends or the American Academy of Matrimonial Lawyers (www.aaml.org) to find a good matrimonial lawyer.
- Verify that the agreement of divorce approaches all topics such as insurance coverage, life health and auto.
- On IRA accounts, life insurance policies, pension plans, 401(k) plans, and other retirement accounts make sure to modify the beneficiaries.
- Update your will.

How does the division of property in a divorce work?

Each state has their own laws regarding the division of property between ex-spouses. When it comes to applying those laws, matrimonial judges have a great amount of flexibility.

Whether or not an attorney represents you, you should make sure to have done the following:

- Learn how the laws of your state function with respect to property division.
- Make sure to have the papers to confirm that property owned separately during the marriage has been kept separate.
- Be prepared to report any non-financial contributions to the marriage that you have made - such as any non-financial contributions to his/her financial success or spousal support while he/she went to school.
- Be willing to report any need for alimony or child support.

Consider having the divorce agreement supply you with funds if you have not worked outside of the home during the marriage.

With a divorce, what are the tax implications?

Upon completion of a divorce, individual tax returns will be filed. There are a few areas that may result in tax consequences. The following are the most common:

- Child Support
  It is not taxable to the recipient and is not deductible by the payer. If it is specially designated as child support in a divorce agreement or lessened by the occurrence of a contingency relative to the child, meaning a child reaches a specified age, it is considered as a payment.
- Alimony
  It is taxable to the recipient and deductible by the payers. It is known as a payment in accordance with a divorce agreement other than child support or when allocated in the decree as something other than alimony. In a separation agreement, similar treatment is in accordance with separate maintenance payments. Payments may not end upon death of the recipient and may not be front-loaded.
- Property Settlements
  When in accordance with the divorce or separation, they are not taxable. In the event of transfers of assets amongst spouses, they do not become taxable income, gains, loses, or deductions. The recipient spouse gets the cost basis of the property. Your spouse may provide you with an equal share of the property based on a fair market value, but be careful with the lower basis. In the end, it can produce a taxable gain at the asset's sale.

When retirement plans or IRAs are divided in a divorce, what happens?

If in accordance with the qualified domestic relations order or other order of the court in the case of an IRA, these plans are separated as non-taxable. However, this is the case only if the assets stay in the retirement account or IRA. Once the funds are allocated, they will be taxed to the recipient. The payer does not get the benefit of a deduction and the recipient does not have taxable income when divided.

Is the cost of getting a divorce a deduction?

Typically no, although specific fees paid for income or estate tax advice due to the divorce may be deductible. The fees used to decide the alimony amount or to collect the alimony may be deducted. These would be subject to the 2% limitation under the miscellaneous item deductions.

Am I entitled to deduct the dependency exemption of a child after divorce?

Typically, the custodial parent has the right to the deduction. This is normally discussed in divorce agreement negotiations. If agreed to in writing, the non-custodial parent may have the deduction.

Death of a Loved One

What will I need if a member of the family dies?

The following is a list of papers that will be necessary:

- Copies of all insurance policies.
- Marriage Certificate (if the deceased's spouse will be requesting benefits). You may obtain copies at the Office of the County Clerk where the marriage license was issued.
- Certified copies of the death certificate (a minimum of 10). These can be bought from the funeral director or from the Health Department in your county.
- Birth Certificates of dependent children. These may be obtained at either the County or State Public Health offices where the child was born.
- Social Security numbers of the spouse, deceased and any dependent children.
- Military discharge, if the deceased was a veteran. Write to The Department of Defense if you are unable to find copies.
- A complete list of all property, including stocks, savings accounts, real estate, and personal property of the deceased.
- Will, which will more than likely be with the lawyer of the deceased.

Should I take any particular steps with regard to the assets of the deceased?

To learn how to hand the following assets of the deceased, speak with your financial advisor.

General rules are as follows:

- Automobiles. Find out if the title of the car of the deceased needs to be modified by checking with the State DMV.
- Insurance Policies. The beneficiaries of policies held by the deceased's spouse may need to be modified. (It might be smart to lessen the amount of life insurance coverage if the spouse doesn't have any dependents.) Revision of home and auto insurance may also need to be done.
- Bank Accounts. The title of a joint bank account will automatically pass to the surviving spouse. Advise the bank to change the ownership records. If the name of the deceased was the only name on the bank account, the asset will go through probate unless it is a trust account.
- Safe Deposit Box. A court order is necessary, in most states, to open a safe deposit box that is only in the deceased's name.
- Stocks and Bonds. Verify with the broker of the deceased to change title of stocks and bonds.
- Credit Cards. If the credit cards are only in the deceased's name, they should be cancelled and the estate should pay outstanding payments. If the cards are in both names, the surviving spouse should inform the credit card companies of the death and ask for cards only in the survivor's name to be reissued.

What can I do to avoid overpaying for a funeral of a member of my family?

Planning ahead is the best way to avoid overpaying for a family member's funeral. You should know about the Federal Rule or the regulation of the Federal Trade Commission (FTC) dealing with practices of the funeral industry. It provides that:

- You must be given, over the phone, price and other relevant information by the funeral provider to answer your questions.
- You must be given 1) a disclosure of important legal rights, 2) a general price list, and 3) information about caskets for cremation, embalming and required purchases by the funeral provider.
- You must be given, in writing, any service fees for the payment of goods or services such as flowers, obituary notices, and pallbearers, on your behalf by the funeral provider. Some funeral providers add a service fee to the cost, while other charge you only the cost of the item. You must also be given any information from the funeral provider about refunds, discounts or rebates from the supplier.
- You must be given by the funeral provider, in writing, information regarding your right to purchase and what is available to you - an unfinished wood box, a type of casket, or an alternative for direct cremation.
- In getting the products and services that you do want, you are not obligated to buy unwanted goods or services or pay any addition fees. You only need to pay for the goods and services you

selected or that the state law requires in addition to the fee for the services of the funeral director and staff.
- You must be given an itemized list of the total cost of the funeral goods and services selected by you. It must inform you of any cemetery, legal, or crematory requirements that you must meet to buy any funeral goods or services.
- You are not allowed to be told that a certain funeral item or service can preserve the deceased's body for an indefinite time in the grave or claim that funeral goods (caskets or vaults) will not allow dirt, water, or other gravesite substances to enter.

Contact your federal, state or local consumer protection agencies, the Conference of Funeral Examining Boards (www.theconferenceonline.org), or the Funeral Service Consumer Assistance Program (FSCAP) (www.funeralservicefoundation.org) if you are having a funeral problem that cannot be resolved with the funeral director.

Are surviving family members entitled to Social Security benefits?

If the deceased has paid Social Security for a minimum of ten years, he/she is covered. Contact your local Social Security office or call 800-772-1213 to find out if the deceased was eligible. There are two types of available benefits, if eligible:

One-time death benefit - A death benefit is paid by Social Security towards burial expenses. To apply the payment to your funeral bill, simply complete the form necessary at your local Social Security office or ask the funeral director to complete the application. This is only available to eligible spouses or a child that is entitled to the benefits of the survivor.

Benefits of a survivor for a spouse or children - The spouse will be eligible for benefits if he/she is 60 years old or older. The benefit amount collected before the age of 65 will be less than that due at the age of 65 or older. Widows who are disabled are eligible for benefits at age 50. If the deceased's spouse cares for dependent children under the age of 16 or for disabled children, they may qualify for benefits before age 60. The deceased's children who are disabled or younger than 18 may also qualify for the benefits.

What is probate?

It is the legal process of allocating the estate to the lawful heirs as well as paying the debts of the deceased. The process typically includes:

- An individual being appointed by the court to function as the personal representative or executor of the estate. The person is usually mentioned in the will. The court will appoint a personal representative, typically the spouse, if there is no will.
- Validating the will.

- Letting all heirs, beneficiaries and creditors know that the will has been probated.
- In accordance with the will or state law, organizing the estate by the personal representative.

A petition must be filed by the spouse or the selected personal representative with the court following the death. A fee for the process of probate will be charged.

Probation of a will might require legal assistance, depending on the size and complexity of the assets to probate.

If the deceased and someone else jointly owned assets, they are not subject to probate. The proceeds of a life insurance policy or Individual Retirement Account (IRA) will be paid to the beneficiary and are not subject to probate.

Upon a family member's death, what taxes are due?

The following sums up the different taxes that may need to be paid upon death of a family member:

- Federal Estate Tax. Amounts that are given to the surviving spouse or to a charity are typically exempt from estate tax. Normally, the estate tax is only owed on estates (which, after decreasing the amount by what is given to the spouse and charity, surpasses the unified credit exemption equivalent).
- If you need to file an estate tax return, get in touch with the IRS to get a Form 706. Within nine months of the death, absent extension date, a federal estate tax return must be filed.
- State Estate Taxes. These differ by state. States may enforce estate taxes that may be applied on top of the federal estate taxes while others may be utilized when federal estate taxes don't. There are inheritance taxes that some states impose, which are on the individuals that receive the inheritance, rather than on the estate itself.
- Income Taxes. The deceased's state and federal income taxes are due for the year of death. Unless an extension is solicited, the taxes are due on the regular filing date of the coming year. For the year of the death, the deceased's spouse may file a joint federal income tax return. If the spouse has a dependent child, he/she may file for an additional two years. It might be helpful to look at the IRS's Publication 559, "Information for Survivors, Executors and Administrators. "

May I refuse inherited property in order to reduce taxes?

To refuse all or part of the property that is being passed on to you by a will, intestacy laws or the operation of law, you should make use of the disclaimer. The property is passed to the next beneficiary in line with an effective disclaimer.

By the property passing directly from the decedent to the next beneficiary, it could possible save thousands of dollars in estate taxes. The wise use of the a disclaimer and the condition for a disclaimer in a will permits the shifting of assets and income to maximize the estate tax marital deduction, unified credit and the lower income tax brackets.

To provide for financial contingencies, disclaimers may also come in handy. For instance, if someone needs funds, you can disclaim an interest to them.

My spouse died this year; may I file a joint return for this year?

Of course. If the surviving spouse didn't remarry before the end of the tax year, he/she may choose to file a joint return.

Do I owe taxes on life insurance profits payable to me?

Typically not. Unless the recipient paid for the privilege to collect the life insurance policies, they are non-taxable income. For instance, if a policy was purchased as an investment.

Are distributions of a retirement plan or IRA of the deceased taxable?

Typically, yes because it is considered income with regards to the decedent. The tax is due by the recipient because the deceased had not paid the distribution's income tax. You may be entitled to a deduction for a segment of the estate taxes paid, if the account's value was incorporated in the estate tax return of the decedent.

If my spouse died without a will, how will his/her assets be distributed?

The law will pass on the jointly held assets with right of survivorship on to the joint holder. The designated beneficiary of the insurance policies and retirement accounts will be awarded to said individuals. The assets owned only by the decedent will be dealt with according to state law, known as intestacy. Generally, the preference is given to the spouse or children, but the laws differ from state to state.

Other situations

What can I do to resolve a consumer complaint?

You should first approach the seller of the item. Then, get in touch with the relevant consumer agency. If neither of the previous provides adequate results, a lawsuit can be filed or you may use arbitration.

Approach the Seller

Compile all necessary evidence such as canceled checks, receipt, photographs showing the issue, a warranty, bill of sale or contract.

Determine your goal. Would you like the product replaced? Would you like a refund? Are you just looking for an apology?

Schedule a meeting with the manager, customer service representative or other appropriate person by calling the store or service provider. In this meeting with the individual, describe as clearly as possible the nature of the issue and what your goal is. If you can only speak by phone, write a letter as follow-up and keep detailed notes of the dates and with whom you spoke with. It is important to note that if there is a valid warranty for the product, it is best to follow-up with the manufacturer and not the merchant.

Take the issue to a higher level, if this doesn't find a solution. This could be the corporate president or supervisor. At this point, you should put your complaint in writing if you have yet to do so. This letter should detail your name, phone numbers, address, and account number (if applicable). Include the date and place of purchase as well as the model and serial number if a product is involved. Concisely describe the issue at hand and the process you have gone through so far to reach a solution. Lastly, you should include what outcome you want and state a deadline for this outcome. Keep a copy of the letter for yourself and include relevant copies of documents. Make sure you keep the originals and retain copies of any correspondence you receive from the company.

Get in touch with an agency

If your desired goal has yet to be reached, you will want to look in the phone for a consumer complaint agency, such as the county, city or state consumer protection office or the Better Business Bureau.

Another option is to go with the trade association method. There are industry trade associations that will offer to aid in mediating issues with regards to their members.

You may want to get in touch with the appropriate state-banking regulator if your issue deals with a bank. If an insurer is involved, you will want to get in touch the state insurance regulator, for a securities problem contact the securities regular or for utilities problems contact the public utilities commission.

Call the state-licensing department if you the issue deals with a state-licensed trade, such as a plumber.

Research the lemon laws of your state, unless you reside in Arkansas or South Dakota, by getting in touch with your state consumer protections agency in the event that you purchased a bad used car.

Get in contact with your area postal inspector, whose information can be located in the U.S. government section of the telephone book, for issues that pertain to mail order or mail fraud.

Look into finding a local television news program hotline for resolving consumer complaints.

Filing a lawsuit

When there are no more options, you will want to file a court case in either small claims court, if the amount is small (usually less than $5000) or if not, a regular lawsuit.

More than likely speaking with an attorney and having them draft a letter to the merchant or service provider giving the details about the lawsuit will resolve the issue.

You probably won't need to hire a lawyer if a small claims case is involved. If the case is bigger than small claims, you will want to hire a lawyer.

What can I do to reduce my bank fees?

The following are a few ways to lessen your bank fees:

- Look into what is necessary to get free checking and free ATM usage and do it. This is typically done by having a minimum balance and only using your bank's ATMs. Another thought is joining a credit union instead of a bank as they generally charge less for banking services.
- Investigate how to invest in higher interest accounts. Determine how much money you would need in case of an emergency and roughly six month's worth of expenses and keep that amount in your savings. Take the rest of you money and make it work for you.
- Don't order checks through your bank. Generally speaking, check printers charge less than the printers employed by the bank.

What can I do to save money on my insurance costs?

These tips will help you save on all types of insurance:

- Shop around for your life insurance policy. Take the time it takes to periodically check the prices on different policies, as it will pay off in the end. If you have recently quit smoking, you will probably be able to get better rates in a few years.
- Evaluate your needs in terms of life insurance to see whether you are being charged too much for coverage.
- Use the same insurer for home and auto insurance, as you will more than likely get a break.
- Look around for auto insurance to find the best possible rate.
- Save on your homeowner's insurance by installing burglar alarms, smoke detectors and sprinkler systems. Consult an insurance agent to learn more.

- Do away with private mortgage insurance. Ask your lender to cancel this as soon as you have enough equity in the home (this is required by law).

What can I do to cut my utility costs?

These are a few tips to remember to help save money with utility costs:

- See if your utility has a subsidizing program to make your home more energy-efficient. If that turns up nothing, you can still caulk your windows and check the insulation to make sure it has a high enough "R" factor.
- Use fluorescent lights instead of incandescent bulbs for lights that are constantly on.
- Maintain the thermostat at the highest and lowest temperature for comfort in the summer and winter, respectively.

What can I do to reduce the cost of my phone bill?

There are many opportunities due to today's cost-cutting competition among phone service providers, such as:

- Verify that your long-distance charges are competitively priced. Research which long-distance carrier will give you the best rate and switch if you are not with that carrier.
- Use the phone book instead of dialing "Information."
- If you have children at home, block all "900" numbers.
- Stay in touch with relatives and friends through e-mail.

What can I do to reduce the cost of my mortgage?

The options that follow will help in reducing the cost of your mortgage:

- Think about paying down your mortgage. This is an effective way for saving and raising net worth for many people. Make a decision to pay a specific amount more than the mortgage principal and faithfully stick to it.
- Think about refinancing your mortgage. Determine if refinancing your mortgage will save you money. Calculate to see if the costs for refinancing are worth a reduction in your monthly payments. If you intend to remain in the house for at least five years, the common guideline is that at least two points reduction will make it worthwhile to refinance.