

From The Desk of Meredith Callahan

More Practical Tips to Enhance Your Financial Freedom

401k's for the Self-Employed - 401k's are rolling out, boasting features equal to, and even better than, their corporate rivals. Solo 401k assets currently sit at 2.5 billion and may climb to over 90 billion by 2012.

In addition to up-front tax breaks, borrowing options and higher contribution and savings limits have sent individual 401k popularity soaring. These attractive plans allow business owners to save their money at a faster rate than other conventional retirement options.

Deduct Your Tsunami Donations - Those who gave money to the tsunami relief efforts by January 31, 2005 have the option of writing their donation off on either their 2004 or 2005 tax return.

Since tax return rates are expected to remain the same in 2005, the deductions will have the same value for both years. If you decide to take the deduction in the 2004 return, check your state rules to find out if you are eligible to do the same on your local return.

Housing Remains Affordable - 2004 required some 22% of the median household income to satisfy mortgage payments; 2005 could see that number jump to 25%. Although the bubble won't burst entirely, it will experience some deflation. We are no where near the 35% chunk of income that mortgages took in the 1980's.

In addition, low interest rates and creative loan programs will help even things out a bit. For people willing to hold out through inevitable price fluctuations, homes will remain highly reliable assets.

Speculative Buying Could Cause Housing Reversal - Although the housing demand is steadily increasing, speculative buying has been on the rise in the last few years. Buyers basing their investments on capital appreciation alone now count for 10% of total sales.

This movement has led many to doubt that housing appreciation will continue over the next year or two. Areas expected to be most affected by a housing reversal are prime metro-markets, where speculative buying is super hot.

No More Deals on Wheels - 2005 brings a dip in deals for those donating their ride. New laws state deductions can only be for the amount the charity netted from selling your car – and they must send you a receipt for the amount that it sold.

If you beat the clock and made your donation in 2004, you can still deduct the full fair market price of the car. Check the Kelly Blue Book (www.kbb.com) to find your car's current value.

Rising Interest Rates Call for Plan B - With short-term interest rates taking a recent *quarter percent* hike at the last FOMC meeting, consumers with variable rate debt may want to consider refinancing to lock in fixed rates before the next increase comes.

Average rates on a home equity line of credit stand around 7%, compared to about 6% for adjustable rate mortgages. With the rate of increase not expected to slow, adjustable rate mortgages could equal, or exceed, fixed mortgage rates within one to two years.