



From
Credit Card Relief™
“HAPPY NEW YEAR!”
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#1: WHEN PAYING YOUR CREDIT CARD BILLS ON TIME MAY NOT BE GOOD ENOUGH!

“Credit card companies are feeling the economic crunch just like everyone else.”

At least that is the reason they give for many of their recent actions that are blind-siding their customers with higher interest rates, additional fees, lower credit limits, etc.

As an example: did you know that paying the minimum amount on your credit card each month (*an amount that the credit card companies themselves said was an “OK” amount to send in each month as evidenced by the fact that they put it right there on every bill you receive*) may not keep them from raising your interest rate or lowering your available credit limit?

“How can they do that?” you ask. “We always paid on time, and we always paid at least the minimum amount. We never exceeded our credit limit.”

Simple: the fine print in most agreements with credit card companies has language in it that basically says that periodically (*that means whenever they want to*) they can review any customer's account based on “credit risk” factors (*they set these themselves, by the way*) and, based on that review of the customer's performance and their “risk” factors, they may change that customer's pricing structure.

So, for the last year or so you have faithfully paid the minimum amount on your credit card bill. That may have been fine...*then*. But given the change in the overall economic climate, the credit card company may arbitrarily decide that that is *now* considered a “risky” way for you to pay them – so they jack up your interest rate, which raises the minimum amount you now have to pay each month. And that interest rate increase won't be a small one – say from the 14% you *were* paying to 16%. No...it might double from 14% to 28%!

And they can lower your credit limit for the same “reasons”. Say the last few statements showed your credit limit was \$5,000.00 just like always. And the balance you owed was at \$3,600.00. You've always paid at least the minimum amount each month and always been on time with those payments. No problem, right? But *next* month you find out that your credit limit was lowered to \$3,000.00 (evidently your “risk” factors were recently “re-evaluated”). And since your previous balance owed was \$3,600.00 that immediately put you over this new credit limit of \$3,000.00 – so they slapped on an “over-the-limit” fee. And will keep hitting you with that fee every month until you pay off enough to get your balance below the new limit.

The point of all this is not just our spreading “gloom and doom”.

The point is that we want all of our Clients to be “aware & informed”: closely monitor your credit statements for any indication that your “risk” factors have been “re-evaluated”. There is not much you can do about it if it happens to you, but being aware of *why* it is happening may help you deal emotionally with the situation and motivate you to take what limited measures are available to consumers to bring about change. Because remember: this is happening to a lot of

people out there; so the more people that understand what is happening and why it is happening, and that stand up and complain about these practices to their credit card companies, to their congressional representatives, to their local news media's "Consumer Help Lines", etc., the better chance there is that the Federal government (*since they are the only ones who are in a position to force the credit industry to change*) will listen and seriously consider and pass legislation and/or rules to limit or prohibit what some economic experts consider to be "usury practices" by the credit card companies.

#2: SAY IT AIN'T SO: TAX TIME – AGAIN

Although January usually signals the start of a new year with new hopes for better times and with earnest resolutions for personal improvements, it also signals that tax time is upon us again. So here are a few "FYI's":

Several important tax breaks for individuals were set to expire at the end of 2007. However, the new tax law extended them for 2008 and 2009 (and some extensions were for even longer). These include:

1. Deductions up to \$4,000.00 for tuition and fees.
2. If you itemize on Schedule A, can opt to deduct either state/local *sales* taxes paid *or* state/local *income* taxes paid.
3. Homeowners who have had some or all of their debt "forgiven" on their home mortgage during a foreclosure or "mortgage workout" *may not* have to include this debt "forgiveness" as income.
4. Homeowners who *do not* itemize their deductions can add an additional amount to their standard deduction for 2008 for real estate taxes – up to \$500 for single filers and \$1,000 for joint filers.
5. The earned income threshold for the refundable child tax credit has been reduced, allowing more individuals to qualify for the refund.
6. The Alternative Minimum Tax (AMT) exemption has been extended again and the amounts have been increased.

(The above information was obtained from a recent article in a CPA Client Bulletin, a newsletter published by Schneider & Company, Inc., CPA's and Business Advisors. It is provided in good faith, and is not to be construed in any manner or form as tax advice.)

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