



**R. Dean Ogelby LUTCF, RFC**  
COMPASS FINANCIAL GROUP  
P.O. Box 420, Harrisville, NH 03450  
Phone 603.827.3022 Fax 877.827.3208  
dogelby@cfg3.com www.cfg3.com



Securities offered through The O.N. Equity Sales Company, Member FINRA/SIPC,  
One Financial Way, Cincinnati, OH 45242 Phone 513.794.6794. Investment Advisory  
services offered through O.N. Investment Management Company.

# the TWENTY *twenty* letter

Vol. 15, Issue 4

## Protecting Your

## FINANCIAL INFORMATION IN CYBERSPACE

Consumers are conducting financial transactions in cyberspace more and more frequently. Consequently, they may become vulnerable to tracking, hacking, identity theft, phishing scams, and other online risks. While nothing can guarantee complete safety in cyberspace, much can be done to understand and minimize your exposure to risk.

Here are some basic ways to help maintain your confidentiality on the web and to keep your private information private:

- **Understand privacy policies.** Before conducting any financial transactions online, carefully read the privacy policies of each institution with which you plan to do business. Find out how the business intends to main-

tain and secure your financial information. If you don't understand the legal jargon, ask questions. You can always e-mail or call a business and request a simplified explanation of its privacy policies.

- **Avoid using easily decipherable PINS and passwords.** When deciding on PINS, passwords, and other log-in information, don't use your mother's maiden name, your birth date, the last four digits of your Social Security number, or your phone number. Avoid other obvious choices, like a series of consecutive numbers or your home town. Also, avoid using the same PINS and passwords on multiple sites. Should your PIN or password be discovered on one site, the others will remain secure.

- **Look for secured web pages.** Use only secure browsers when shopping online to guard the security of your transactions during transmission. There are two general indicators of a secured web page. First, check that the web page url begins with "https." Most urls begin with "http;" the "s" at the end indicates that the site password will be encrypted before being sent to a third-party server. Second, look for a "lock" icon in the window of the browser. It will not be in the web page display area. You can double-click on this icon to read details of the site's security. Be cautious about providing your financial information to websites that are not well known. Larger companies and well-

## Claiming the

## CHILD AND DEPENDENT CARE TAX CREDIT

As working parents of young children know, paying for child care can take a big bite out of the family budget. The Federal government offers a number of tax breaks, including the Child and Dependent Care Credit, designed to ease the financial burdens of working families. The amount that can be claimed varies considerably, however, based on the outlays for care, the income of the parents, and the number of children or other dependents requiring care.

If you pay a babysitter, day care center, or other provider to care for your child or a qualifying spouse or dependent so that you can go to work or look for work, you may be able to claim the Child and Dependent Care Credit on your Federal income tax return. To qualify, children must be under age 13 at the time the care is provided, while spouses or other dependents must be physically or mentally incapable of caring for themselves.

The Child and Dependent Care Credit is a percentage of the amount of work-related child and dependent care expenses paid to a care provider. Depending upon your income, the credit can be up to 35% of your qualifying expenses. You may claim up to \$3,000 of the expenses paid in one year for one dependent or \$6,000 for two or more qualifying dependents.

In practice, however, relatively few taxpayers can claim the full 35% rate: For taxpayers with annual adjusted gross incomes (AGIs) that exceed \$15,000, the credit percentage is incrementally phased down, falling to 20% for those making

more than \$43,000 per year. The dollar limits on the credits that may be claimed are also reduced by the amount of any dependent care benefits provided by your employer that is excluded from your income. Moreover, the credit is not refundable, and only serves to reduce the amount of taxes owed.

If, for example, you spent \$4,000 on care for one child during the year, up to \$3,000 could be applied toward the credit. If your income is very low, you would be able to claim 35% of this amount, for a total tax credit of \$1,050. If, however, you paid \$9,000 over the course of the year for child care for three children, but your AGI is \$75,000 per year, you would be permitted to claim 20% of \$6,000 of these expenses, for a total credit of \$1,200.

There are a number of conditions that taxpayers are required to meet when claiming the credit. To qualify, you must have earned income from wages, salaries, tips, other taxable employee compensation, or net earnings from self-employment. The babysitter or other caregiver cannot be someone you can claim as your dependent on your tax return or your child who is under age 19, even if he or she is not your dependent. In addition, the dependent for whom the care is provided must have lived with you for more than half the year. Finally, if you are married, you cannot claim the credit when filing separately.

Families in which one of the spouses is a full-time homemaker and does not earn income outside the home generally are not eligible to claim the Child and Dependent Care Credit.

If you are married and paid someone to care for a child or other qualifying individual, both you and your spouse must have earned income to claim the credit, unless one spouse is either a full-time student or is physically or mentally incapable of self-care.

The Federal government does, however, allow you to include payments to a wide range of care providers when claiming the credit. These include licensed day care centers, after-school care, day camps (but not overnight camps), nurseries or pre-schools (with school costs separated from child care costs), and household services, provided the assistance is necessary for the protection and well-being of the dependent. Keep in mind that additional employment taxes may be due if you hire someone, such as a nanny or housekeeper, to come to your home to care for your children or other dependents.

When claiming the credit on your tax return, you must report the name, address, and taxpayer identification number of the care provider. For individual caregivers, this is the Social Security number. If the care provider is tax exempt, only the name and address must be reported on your return. If you are unable to provide information regarding the care provider, you may still be eligible for the credit if you can demonstrate that you exercised due diligence in attempting to obtain the required information.

For more information on the Child and Dependent Care Tax Credit, talk to your tax professional. **20/20**

## College Financial Aid:

### DO YOUR HOMEWORK

If one or more of your children will reach college age soon, you may be wondering how you will manage all the costs. For many families, a financial aid package provides some level of tuition support. This often includes grants, scholarships, loans, or work-study placements. Aid is primarily based on the family's need. If it is determined that you are able to afford the cost of college, your quest for assistance is going to be challenging, but not impossible.

Forms must be filled out in order to ascertain if you qualify for aid. If you want to get an idea of your eligibility *before* applying for aid, try using the following formula:

#### *The Five Percent Test*

Take 5% of the value of your total family **assets** (including home equity, savings, and investments) and add this figure to your **adjusted gross income (AGI)** from last year's tax return. Divide that result by the estimated, annual cost of college. If the result is six or less, you could qualify for financial aid. If the final number is higher, you may have a difficult time convincing financial aid officers of your need.

No matter what you expect your chances to be, it is still worthwhile to go through the application process. Many different factors enter into the final outcome. Public and private institutions alike offer varying amounts of aid, and you may be pleasantly surprised.

#### *Funding Sources*

If you do not receive aid from your chosen institution, there are other options. The Federal government, state governments, banks, insurance companies, and religious, ethnic,

civic, and fraternal organizations are a few alternative funding sources. The number of Federal aid programs alone is encouraging.



Here are some of the more popular programs:

**Pell Grants:** These grants are generally awarded to undergraduates based on need and family income. The size of the grant depends on program funding. The maximum award for the 2009–2010 award year is \$5,350.

**Federal Supplemental Educational Opportunity Grants (FSEOGs):** These grants are earmarked for undergraduates who are in greater need than Pell Grant applicants. The Federal government supplies this money, but the individual colleges distribute the funds. The availability of these grants may be limited, depending on how much funding is allocated to a particular school. Annual grants range from \$100 to \$4,000.

**Federal Perkins Loans:** These loans are generally available for students with exceptional financial needs. Factors that determine qualification for a Perkins Loan are 1) when the application is submitted, 2) a student's financial need,

and 3) the funding level for the particular school. An eligible undergraduate student can borrow up to \$4,000 per undergraduate year of study, not to exceed a total of \$20,000. An eligible graduate student can borrow up to \$6,000 per graduate year of study, not to exceed a total of \$40,000. If the borrower is more than a half-time student, repayment begins nine months after the recipient graduates or leaves school. (These nine months are called the "grace period." Students who are attending school less than half-time may have a shorter grace period.) Payments can be extended over a maximum period of ten years after the grace period ends.

#### **Federal Work-Study Program:**

This program essentially provides an award in exchange for work. The typical school work schedule is about 12 to 15 hours per week (up to 40 hours per week during vacations). These jobs may be on or off campus, but they are generally with a government agency or non-profit organization if they are off campus (under some circumstances, a school may have arrangements with a private for-profit company). When possible, the jobs are related to the student's major. While the pay is generally modest, it is at least minimum wage. However, hours and compensation cannot exceed the Federal Work-Study award.

**Stafford Loans:** This Federally insured loan program permits eligible students to borrow at favorable interest rates. These loans are typically arranged through private lenders, and the program offers flexible loan repayment options. The Federal government subsidizes some

*continued from page one*

PROTECTING YOUR FINANCIAL INFORMATION IN CYBERSPACE

known websites have developed policies to protect the rights and financial information of their customers. So, resist the temptation of providing personal information to companies that are unfamiliar to you.

- **Keep your operating system up-to-date.** High-priority updates are critical to the security and reliability of your computer. They also offer the latest protection against malicious online activities. When your computer prompts you to conduct an update, do it as soon as possible.
- **Use updated antivirus software and spyware.** Viruses and spyware are two kinds of potentially malicious software from which you need to protect your computer. Keep both your antivirus and your spyware programs updated regularly.

- **Keep Your Firewall Turned On.** A firewall helps protect your computer from hackers who might try to delete information, crash your computer, or steal your passwords or credit card numbers. Make sure your firewall is always turned on.
- **Do Your Homework.** To learn more about securing your computer and protecting your personal information, privacy violations, identity theft, phishing scams, and more, visit [www.getnetwise.org](http://www.getnetwise.org), [www.onguardonline.gov](http://www.onguardonline.gov), or [www.wiredsafety.org](http://www.wiredsafety.org). These websites provide valuable information to help you protect your private information when conducting financial transactions online.

In addition, the Federal Trade Commission (FTC) works for the consumer to prevent fraudulent, deceptive, and unfair practices in the marketplace. To file a complaint or to obtain more information, visit [www.ftc.gov](http://www.ftc.gov) or call 1-877-FTC-HELP (1-877-382-4357).

While maintaining anonymity on the web can be challenging, it's important to protect your financial information and the financial information of your family. As time goes by, more protective measures will be established so you can feel more assured that your financial records and information will be protected from unknown third parties. In the meantime, it is up to you to safeguard your financial information through education and awareness. **20/20**

*continued from page three*

COLLEGE FINANCIAL AID: DO YOUR HOMEWORK

Stafford loans based on financial need, deferring interest charges until loan repayment begins or during qualified deferment periods. Subsidized loans have much lower limits than unsubsidized loans, which are not based on financial need and begin accruing interest when the loan is disbursed.

**PLUS (formerly “Parents’ Loans for Undergraduate Students”):**

Parents are eligible for this loan if they pass a credit check. The amount of the loan is generally limited to the actual “cost of attendance” minus any financial aid already received. Parents taking this loan must begin repayment 60 days after the final loan disburse-

ment for the academic year. Interest on PLUS loans will depend on the disbursement date.

Some states base their programs not only on need, but also on academic performance. The recipients of state loans generally must be legal residents of the state and enrolled in a college or university within their state. In addition, some states have “reciprocity agreements” with other states. For more information, refer to the U.S. Department of Education’s website at [www.ed.gov](http://www.ed.gov).

No matter what you believe your chances are for receiving aid, it is always best to apply. You may qualify for more aid than you think. **20/20**

**The information contained in this newsletter is not written or intended as tax, legal, or financial advice and may not be relied on for purposes of avoiding any Federal tax penalties. Entities or persons distributing this information are not authorized to give tax or legal advice. Individuals are encouraged to seek advice from their own tax or legal counsel.**

The information contained in this newsletter is for general use and it is not intended to cover all aspects of a particular matter. While we believe all information to be reliable and accurate, it is important to remember individual situations may be entirely different. Therefore, information should be relied upon only when coordinated with professional tax and financial advice. The publisher is not engaged in rendering legal, accounting, or financial advice. Neither the information presented nor any opinion expressed constitutes a representation by us or a solicitation of the purchase or sale of any securities. This newsletter is written and published by Liberty Publishing, Inc., Beverly, MA, COPYRIGHT 2009.