

## STOCKS VS. MUTUAL FUNDS

By Dan Beckett  
*Financial Focus* staff writer



Investing your money can often be a stressful exercise. Should you play the stock market? Are mutual funds the best option? Both have their various advantages and disadvantages. When investing in stocks, your money has the potential to grow exponentially. However, there is no guarantee that you will actually see a return on your investment. With regard to mutual funds, the chance that your money will grow through diversification may be higher, but your increase could be comparatively small.

Before you invest in the stock market, research is the best bet against a floundering investment. There are some basic questions that need answering before investing in any given stock: what does the company do; how profitable are they; is the company awash in debt; has the company received any bad news lately? Scouring the internet may provide basic answers to these questions.

Companies naturally want to put on their best face for investors. As such, it can be difficult to pick out the rose among thorns in the stock market. In fact, among three brand name stocks in three different industries — Nike (NKE), Apple (AAPL) and Disney (DIS) — growth has been stagnant over the past three months. Internet sites, such as MSN Money Central, or CNN Money can be of some novice help. However, the tools your wealth advisor utilizes can be of even greater aid when you are ready to choose stocks.

Neither is it easy to pick just the right mutual fund. Not only are there thousands offered, but picking one that is right for you can often be maddening.

When considering any investment options, your first step on the road of investing should be in the direction of your wealth management advisor.

### *Further resources:*

- Common financial sites, such as [www.moneycentral.msn.com](http://www.moneycentral.msn.com), or [www.money.cnn.com](http://www.money.cnn.com) can be good places to start stock research.
- For more information on mutual funds, check the online encyclopedia Wikipedia ([www.en.wikipedia.org](http://www.en.wikipedia.org)).

## ING vs. YOUR BANK: A BATTLE FOR SAVINGS

By Andrea Wilson  
*Financial Focus* staff writer

Since the days of stagecoaches, the interest rates of savings accounts at banks only slightly differed from each other. Though there existed different banks—from Wells Fargo to Bank of America—it was less of a diversified industry and more of a fraternity, ensuring that each branch would not falter in the face of competition.

Enter the internet. As it has done in so many other areas, the internet has largely leveled the playing field. Online financial institutions, such as ING Direct, now offer high-interest, no cost savings accounts that directly compete with the savings accounts at your local bank.

In as much as “online baking has improved

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## The Financial Focus Survey

Which financial institution do you commonly use for savings?

- Brokerage house i.e., Fidelity Investments, Morgan Stanley, etc.?
- Traditional bank?
- Savings & loan?
- Credit Union?
- Online banking?

Email your answers to [info@osfcpa.com](mailto:info@osfcpa.com).

Results to appear in the next issue of *Financial Focus*.

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# HIGHEST PAYING DIPLOMAS

By Jeremy Oberstein

*Financial Focus* staff writer

Graduating students can expect to see higher starting salary offers, according to results of a new survey by the National Association of Colleges and Employers (NACE).

“Our first look at average starting salary offers to the college Class of 2006 provides further evidence of an overall positive job market,” says Marilyn Mackes, executive director of NACE. “By and large, the average salary increases employers offered to new college graduates were respectable, and some were standouts.”

## HOW MUCH WILL YOUR DIPLOMA PAY?

SELECTED INCREASES IN STARTING SALARIES FOR THE CLASS OF 2006.

MAJOR		VS. 2005
Chemical engineering	\$55,900	+4.2%
Electrical engineering	\$52,899	+3.5%
Mechanical engineering	\$50,672	-0.3%
Computer science	\$50,046	-2.0%
Accounting	\$45,723	+6.2%
Economics/Finance	\$45,191	+11.0%
Civil engineering	\$44,999	+4.0%
Business Administration	\$39,850	+3.9%
Marketing	\$36,260	-3.4%
Liberal arts majors	\$30,820	+6.1%

Source: National Association of Colleges and Employers

Among those disciplines that saw changes in their starting salaries, most saw increases in them. On average, the survey found a 3.3 percent increase in starting salary. Economics and finance majors posted the biggest salary gain, while accounting graduates were among those that put up a better than modest increase.

Even among those that saw their starting salaries decrease, average offers tended to dip rather than plummet. Computer science and mechanical engineering, for example, saw a drop of 2 percent and 0.3 percent, respectively, but both still demand an average starting salary of over \$50,000.

Liberal arts majors, a wide swath of subjects including political science and history, finished last with a starting salary of \$30,820, but experienced a 6.1 percent increase compared to last year.

The Association also noted that the job prospects for new college graduates look encouraging as employers recently said they plan to hire 14.5 percent more new college graduates in 2005-2006 than they hired in 2004-2005. According to NACE, the Class of 2006 will enjoy the best job market in four years.

*Further resource:*

- More information on NACE can be found on their website at [www.naceweb.com](http://www.naceweb.com).

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competitiveness,” says Chris Farrell, economics editor for NPR’s Marketplace, the consumer has been the one to reap the benefits. Last year, ING Direct put more than \$2.1 billion back into savers’ pockets. To put that into perspective, customers earned \$1.4 billion less at U.S. banks over the same period.

Banks typically offer an interest rate between .40 and .70 percent, whereas ING Direct’s interest rate is currently, 3.74 percent. In addition, some banks enforce daily minimum balances to keep your account open, whereas ING Direct has no such restrictions.

The convenience of centralized banking is a considerable advantage with all of our distractions and preoccupations. However, the benefits derived from a higher interest

rate might outweigh the cost of diversifying your financial institutions.

You have turned in your stagecoaches for cars. It might be time to modernize the way you save money too.

*Further resource:*

- Research the interest rates of banks and financial institutions in your area on [www.bankrate.com](http://www.bankrate.com).

Editor’s note: This article is not intended as an endorsement of ING Direct, nor of any other financial institution. Information is provided to be of a helpful nature. All interest rates were current at the time of publication.

# THE 529 ADVANTAGE

By Theresa Stoppard

*Financial Focus* staff writer

When President Bush released the government's fiscal 2007 budget in early February of this year, a feeling of uncertainty washed over some parents of students.

In the 2007 budget, 42 education programs deemed unnecessary or inefficient, including some money for the arts, technology, parent-resource centers and drug-free schools will be eliminated. The Education Department would get \$54.4 billion for discretionary spending, down from \$58.2 billion, or 6.4 percent, from last year.

Parents of college bound students have reason to worry as well. The interest rate of two of the most popular federal loan programs have increased, while the Perkins loan has been dropped altogether. Stafford loans, a federal loan assistance program, will carry a fixed rate of 6.8 percent, a 1.5 percent increase from last year. Parent Loans to Undergraduate Students, the fastest growing component of college aid, will cost 8.5 percent, more than double the rate of two years ago.

As parents begin to feel the college loan crunch, there are alternative means of financing your child's education. The most popular of these alternatives, the 529-college savings plan, offers a wide array of payment opportunities. Their numerous advantages, combined with a relatively small amount of disadvantages, have catapulted them to the top of many parents' lists for ways to pay for college.

The 529 Plan is primarily a tax-advantaged investment vehicle designed to encourage saving for the future higher education expenses of a designated beneficiary. Different states offer different options, but you do not have to be a resident of a given state to derive the benefits offered.

There are two types of 529 Plans: prepaid and savings. Prepaid plans allow for the purchase of tuition credits, at today's rates, to be used in the future. Therefore, performance is based upon tuition inflation. Savings plans are different in that all growth is based upon market performance of the underlying investments. Most 529 savings plans offer a variety of age-based asset allocation options where the underlying investments become more conservative as the beneficiary gets closer to college-age. They also offer risk-based asset allocation options where the underlying investments maintain the same equity-to-fixed-income ratio regardless of the age of the beneficiary. Many savings plans also offer a stable value or guaranteed option designed to protect an investor's principal while providing for some investment growth.

Assets in a 529 Plan have a relatively small effect on financial aid because they are considered assets of the account owner rather than the beneficiary. According to the US Department of Education, your expected contribution to your child's college costs will include 5.6 percent (or less) of the value your account for each academic year.

As people discover the advantages of 529 Plans, it is no surprise that they are the most popular way to pay for higher education. Even though the government may have toughened the road to college a bit, parents can still take solace in the fact that there are plenty of viable options to ensure a university is in their child's future.



## ADVANTAGES OF THE 529 PLAN:

- All money grows federal and state income-tax free;
- All distributions for qualified higher education expenses are federal income-tax free, and may be state income-tax free based upon the state regulations;
- Money can be used virtually everywhere -- over 8,000 schools in the U.S. and over 800 foreign schools. Money can be used to pay for tuition, room, board, books, fees, supplies and required equipment;
- The beneficiary can be changed at any time;
- Powerful estate planning advantages -- account owners can currently utilize five years of their annual gift exclusion by contributing up to \$60,000 per beneficiary or \$120,000 (married filing jointly) immediately as long as they don't make additional contributions until five years has passed;
- Relatively small effect on financial aid.

### *Further resources:*

- A College Savings calculator can be found on [www.osfcpa.com/financialtools](http://www.osfcpa.com/financialtools), under the Savings Calculator section.
- A compendium of state-by-state 529 plan offerings can be located on [www.savingforcollege.com](http://www.savingforcollege.com).
- The IRS website ([www.irs.gov](http://www.irs.gov)) offers answers to frequently asked questions regarding college finances.

Fill in the puzzle so that every row, every column, and every 3x3 box contains the digits 1 through 9.

Difficulty Level:   

## LAST ISSUE'S SOLUTION

4	3	9	7	6	1	8	2	5
6	2	8	4	5	3	7	1	9
1	7	5	9	8	2	4	3	6
9	8	3	1	7	6	5	4	2
5	1	2	8	3	4	9	6	7
7	6	4	5	2	9	1	8	3
3	5	1	2	9	8	6	7	4
2	4	7	6	1	5	3	9	8
8	9	6	3	4	7	2	5	1

			8		7	1	2	
4	6				2			7
		7	6		3			
6					7	3		
		1	3		6	9		
		5	2					1
			7		2	4		
9				3			2	8
		4	9	1		6		

Puzzle by websudoku.com

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