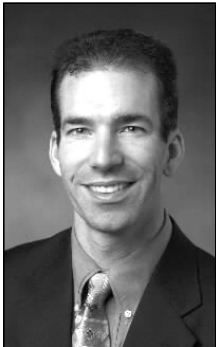


# THE PLAIN DEALER

MONDAY, NOVEMBER 10, 2003



## ASK THE EXPERT

**Scott Snow**, senior manager, Personal Financial Counseling/Investment Advisory Services, Ernst & Young, Cleveland

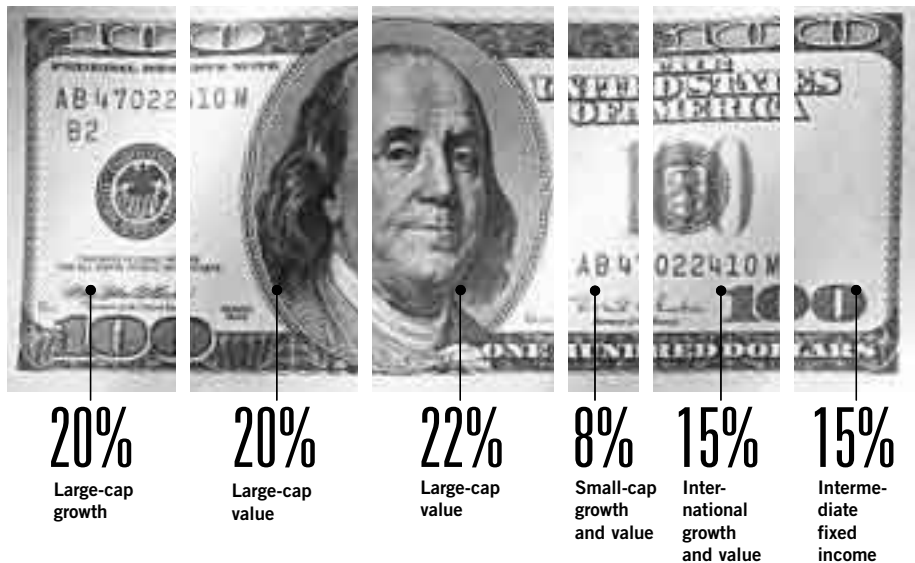
**Credentials:** Certified financial planner, Certified public accountant, certified investment management analyst

**Experience:** 10 years in financial services, eight as a personal financial counselor

**Assets under management:** \$70 million

### Asset Allocation:

**“Once the credit card balance is paid off, maximize 401(k) contributions to continue to save toward retirement and reduce your federal and Ohio income taxes.”**



**Question:** *A couple, ages 41 and 40, earn a combined \$120,000 a year and have 14 years left on their \$200,000 mortgage. They owe \$10,000 on a credit card, have \$25,000 in 401(k)/IRA accounts and \$5,000 in liquid savings. They're saving \$500 a month toward retirement and \$100 a month for their 13-year-old daughter's college. With the \$1,000 they have left over every month, should they pay off their credit card or increase their retirement savings? (They get no employer match.)*

**Advice:** Check the current credit card interest rate. It could be 18 percent to 22 percent. Since credit card interest is not tax deductible, I suggest transferring the credit card balance to a credit card with a lower interest rate and using the extra \$1,000 per month to pay this balance off as soon as possible. It could be wiped out in a year if you find a teaser rate that's zero percent, or no more than 7 percent.

I would recommend this strategy—versus carrying the credit card balance and contributing the extra \$1,000 to

your 401(k) - because low-interest credit card deals will soon end, thereby making this \$10,000 balance more costly and maybe interfering with long-term retirement goals.

Once the credit card balance is paid off, maximize 401(k) contributions to continue to save toward retirement and reduce your federal and Ohio income taxes. I recommend a mix of investments for current and future 401(k) contributions, focused heavily on large-cap and mid-cap value and growth.