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[Two Costly Tax-Deduction Mistakes](#)

You wouldn't believe how much money you can save on your taxes by avoiding these 2 common (and ridiculous) mistakes.

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Discover why it's a HUGE mistake to pay taxes with a credit card - even though the IRS says it's a good thing!

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Even with some setbacks along the way, Rachel's family has a great attitude and is knocking out their Debt Snowball!

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Check the price before paying for something you think is a bargain so you can avoid Michael's situation!

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Two Costly Tax-Deduction Mistakes



I hate doing taxes. That's why [I hire someone to do them for me](#). However, I do know the **outrageous lengths** people go to in order to get deductions - even if the deductions don't make mathematical sense. Here are 2 that I hear most often:

"It is wise to keep my home mortgage to get the tax deduction."

WRONG! If you've listened to me for any amount of time, you know I **strongly encourage people to pay off their mortgage** so they have their entire income to use for wealth building. (This is, of course, AFTER you've paid off all your other

debts, have an emergency fund, and started investing for retirement and your children's college funds.) But when I talk about [paying off the mortgage](#), I almost always hear from someone touting the **tax deduction**.

Let's do the math. If you have a home with a payment of \$900, and the interest portion is \$830 per month, you have paid around \$10,000 in interest that year, which creates a tax deduction. If, instead, you have a debt-free home, you would in fact lose the tax deduction, so the myth says keep your home mortgaged because of tax advantages.

If you don't have a \$10,000 tax deduction and you're in a 30% tax bracket, you will have to pay \$3,000 in taxes on that \$10,000. According to the math, we should send \$10,000 in interest to the bank so we don't have to send \$3,000 in taxes to the IRS. Personally, **I think I will live debt-free and not make a \$10,000 trade for \$3,000.**

"I can write off my car lease as a business expense."

If you own a business and lease a car, your business can write off that car as a business expense. First you should know that *Consumer Reports*, *Smart Money*, and my calculator say that **leasing a car is the worst possible way to acquire a vehicle**. Creating an unneeded business expense for the sake of a tax write-off is bad math just like the mortgage deduction.

My company owns my cars, which were purchased (with cash) used. We are able to straight-line depreciate those cars or write off the mileage. If you drive inexpensive cars in your business and put high mileage on them, take the mileage deduction. If you drive expensive cars but don't put many miles on them, take the straight-line depreciation. **Both tax deductions are available to you without having a stupid car payment.**

If you don't own a business and didn't understand anything I just said about tax write-offs, don't worry. Just know that, as a wise business owner, you don't want to lease a car.

Here's the key to tax deductions: do the math. If what you do to get the deduction costs you more than the deduction is worth, DON'T DO IT.

Related:

- [Dave's Thoughts on the Stimulus Tax Rebate](#)
- [Too Much House?](#)
- [Car shopping Dos and Don'ts](#)

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Having Trouble Paying Your Taxes?

With tax season in full swing, those who haven't set enough aside from their earnings can find that **they don't have enough cash on hand to cover their tax bill**.

If you're in this situation, don't make the costly mistake of paying your taxes with a credit card. It sounds like an easy out, a short-term solution with no penalties involved. However, that is far from the truth! To make matters worse, the IRS supports credit card payments! The IRS states on its website that paying with a credit card is quick, safe, secure, and rewarding.



Rewarding? WHAT? I'm telling you for a fact that paying your taxes with a credit card is a quick way to **enter the poor house!**

You'll Pay More

It actually costs you more money to use a credit card. If you've used a credit card at a store, the bank charges the store a fee to accept the credit card purchase. But the IRS isn't a store and doesn't have to pay those fees charged by the bank. So guess who ends up paying them? You do. **What's so rewarding about PAYING MORE?**

Also, you can expect that bank fee to be a minimum of 2.49% of your payment. So as soon as you pay, **you're in the hole.** If you owe \$10,000 to the IRS, you would be charged \$249 just to use a credit card. I can think of many other ways I'd rather spend \$249!

What If I Don't Have the Money?

If you're in a tight spot and absolutely don't have the money to pay your taxes, there is another option available besides using a credit card. It is an **installment plan** offered by the IRS. While this plan still charges an interest rate, it is usually much lower than the typical credit card rate. The IRS will tell you otherwise just so they can get their money immediately. Don't fall for the pretty pictures they try to paint for you!

Remember, using credit cards for anything - even to pay taxes - is a very bad idea. If you need last minute help with your taxes, it's a good idea to [contact a tax professional](#) who will walk you step by step through your individual situation.

Related:

- [The truth about credit card debt](#)

Source: *TheStreet.com*

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We Did It!

I'm So Proud of Us!

By Rachel in Indiana

We've just started our Total Money Makeover but can already see a huge difference in our money! We quickly saved up our [\\$1,000 Emergency Fund](#) and made a budget.

Just as we were starting on our [Debt Snowball](#), Murphy came to visit. We were hit with a \$1,100 tax bill and car repairs of almost \$1,000. We're disappointed that all the money we were going to put toward our snowball this month AND our Emergency Fund is getting sent to Uncle Sam and the mechanic. However, **we're so happy that we aren't swiping our plastic** for the car bill and begging my grandparents for a loan for the taxes, which would have been the case a few months ago.

Last night my husband and I looked back at our expenses to see what we were spending on eating out and such before we started a budget. I nearly fainted! Most months we were spending **at least \$500** on restaurants, movies, etc!



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Even though we haven't been able to attack the Debt Snowball as quickly as we had planned, **I'm so proud of us** for cutting back so much on unnecessary expenses and for having the cash to pay Murphy. Before Dave's plan, it would have been a disaster driving us further into debt, but now it's just a minor inconvenience. Thank you so much for getting us started on the road to financial freedom!

Related:

- [Just beginning the Baby Steps?](#)
- [Get resources for Baby Step 2](#)

We did It!

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Stupid Tax**Bargain Gone Bad**

By Michael in Michigan



I went to a sidewalk sale in my downtown area to look for a bargain. While browsing an athletic apparel store, I found a long-sleeve tee for \$7.95. **Looked like a great deal**, so off I went to purchase it with my credit card (I have since cut them all up). I put the receipt in my pocket without looking at it and promptly threw it away once I returned home since there was a **no-return policy** for this sale.

When I got my card's statement 3 weeks later, imagine my surprise when **I was charged \$79.95**. After many phone calls and face-to-face discussions, I lost the case because their copy didn't specify the product sold, just the amount.

After all that, I decided I was getting too lax and cut up all my credit cards. On a side note, that was about 6 years ago, and **I can't bring myself to throw that shirt away** because of the frustration it still evokes.

Related:

- Learn how to buy big bargains in [Financial Peace University](#)
- [Tips for getting a bargain on a car](#)
- [Credit Card Q&A](#)

STUPID TAX

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Helpful Articles and Company Updates

Credit card rewards? Yeah, right!

Brownie points. Free hats. Airline miles. It seems like every time you turn around, the credit card companies are thinking of new ways to bait you into signing up for their cards.

According to MSNBC, the average household that carries [credit card debt](#) has a balance of \$2,000! If you sign up for an 18% credit card and pay \$50 a month on it, you will pay \$1,002 of interest in addition to the \$2,000 of debt. You **just spent \$3,002 for a \$15 hat you'll probably never wear!**

That's not the only way cards can mean trouble. Check out these other plastic tactics:

- **Annual fees** can eat your credit card benefits for lunch. Let's say your card offers airline miles and has an \$80 annual fee. If you spend \$8,000 on the card every year and pay it off each month, you'll have accumulated enough to get the free ticket in 3 years. The only problem? You'll have spent \$240 in annual fees alone...and you can buy a plane ticket straight up for \$250.
- **Expiration dates** are another "gotcha" in the credit card world. The National City Visa card was surveyed by a customer advocate group a couple of years ago. It advertises up to 4% cash back on purchases (not every purchase will qualify, though). The catch is that after 2 years, the points start expiring. If you spend \$12,000 a year on the card, you'll only get back an average of \$30 a year. Even more, you can't redeem the rewards until you build up at least \$100, which will never happen at that spending rate.
- **Low caps** are still another way that credit card companies hook you in. They may promise you cash back, but they impose a limit on how much you can get. If they promise 1% cash back and have a \$300 cap, then you'll have to spend \$30,000 to get \$300. That's too much effort for too little reward.

Think about this for a second. When you open up a credit card account, you are likely to pay thousands of dollars in interest over the years as you carry a balance. Even if you promise to pay it off every month, **all it takes is one lost or missed payment**. If that happens, your interest rate is jacked up, you get slapped with fees, and it dings your credit. Either way, you'll make a **big money mess**.

Keep your money simple, and you will win with it. When you climb steps, you climb them one by one and go straight up. Using other people's money and making things complicated is like tying your feet together and trying to jump up the steps. You'll only hurt yourself. **Don't make things complicated.**

Sources: [bankrate.com](#), [MSN.com](#)



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How Small-Business Owners Can Create A Happier Workforce

As every small-business owner knows, there are plenty of ups and downs



when it comes to running your own company. With the real estate market on the down slope and the constant ebb and flow of the stock market, you're probably faced with some stressed-out workers. **How does this affect your business?** Well, if you lead a team of people who are constantly worried about their money, you can expect lost productivity, divided attention and increased absenteeism. **All of these things WILL impact your overall success.**

If you want to help your team members thrive-and protect your business' bottom line-you may need to take a more active role as a leader. Here are some ways you can create a happier, engaged and more productive workforce:

Help the Whole Person

Work is only one part of your team members' lives. For them to be successful at work, they also need to be successful at home. Therefore, many small businesses **have partnered with outside agencies** to provide counseling for their team members. Life can hit pretty hard sometimes, and many people simply need someone to talk to. Whether they are experiencing marital difficulties, money problems or something else, helping them **get their personal lives in order** will reap tremendous business benefits for the company.

Set Limits

If your workers are spending their day dealing with personal issues, you need to set limits. Although an occasional personal call or urgent need should be expected, don't let this become the norm.

Certain situations, of course, call for leniency and understanding. By setting limits, however, you are **demonstrating your expectations** for your team and preventing any one person from taking advantage of you. This creates an **atmosphere of trust**, where your team members will enjoy working for you and respect you as a leader.

Dealing with Loans

Many small-business owners face the awkward situation of having a team member ask for a loan. This is troublesome on many levels:

1. It creates tension in the leader/worker relationship. Whether or not the leader grants the loan, the entire dynamic of the relationship will change once debt is involved.
2. It establishes a bad pattern of expectations, in that the team member may come to see this as a viable option whenever he or she has a crisis.
3. It lets the employer know of a financial crisis too late to be of any genuine help. The best assistance a business owner can give in this situation is to help the team member escape the bad habits that got him or her into trouble in the first place. As a good leader, **what's the best way to do this?**

Offer *Financial Peace Workplace Edition!*

Dave Ramsey's [Financial Peace Workplace Edition](#) program is a fantastic benefit that you can offer your team. This life-changing program will teach your workers how to live on a budget, get out of debt, communicate with their spouses about money, and take control of their most powerful wealth-building tool: their income. Plus, they'll discover how to maximize their retirement options and **get the most out of the workplace benefits** you provide.

Your workers will be **happier, more focused and more productive** because they'll have a plan for their future. To learn how you can set your team free from financial stress, check out our website and bring true Financial Peace to your company today!

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Four Stories of Success



Over 10,000 people attended The Total Money Makeover LIVE Event in Dallas!

Need some **stories of inspiration** this month? Well, look no further! Check out how other Dave Ramsey fans have applied the principles they learned at [The Total Money Makeover LIVE Event](#) to their personal money issues.

A Saved Marriage

"I loved listening to Dave LIVE after reading *The Total Money Makeover* and following his plan. Since starting the plan in 2006, seeing Dave LIVE in 2007, and listening to him on Fox Business, we have become tight with money, paid off large amounts of debt, and are still paying and following the plan. **Our marriage did not end in divorce**, which is [where it was headed](#)."

A Lost Job

"In the last two years, my husband and I both lost good-paying jobs and were forced to take over a 50% cut in pay for our household income. Being your typical in-debt Americans, **we were in over our heads** when our income was cut. We ended up filing bankruptcy and letting our house go into foreclosure. It was a devastating year, but thanks to the new job, I am now working and was introduced to your program. **We're never going to get ourselves into that situation again!**"

A Written Budget

"We are now on a budget and **living within our means for the first time** in our marriage. We are **on the right track** with our spending; if it's not budgeted, we don't get it. We are only spending cash and will NEVER be in debt again!

"We'll hopefully be able to purchase a house again, one that is within our means. We will have a savings and have money put aside for retirement when we get there. We never thought that was possible since we have gone from a yearly household income of about \$100,000 to just over \$60,000 a year. We thought we would never be able to live, let alone have the things we wanted again in this lifetime.

"Your program has showed us that not only is it possible, but it is within our reach."

Spreading the Message

"My wife and I saw Dave LIVE. At the time, our only debt (besides our house) was \$15,000 for our minivan...WOW! The LIVE event is **what finally got my wife on-board**. Next month we will write the last check for our last payment - \$15,000 paid off in 17 months!

"Now we are going to **pay ourselves** and put away as much as we can into our money market account to boost up our emergency fund. You see, one day not too far down the road, we are going to have an emergency. The further you make it in the Baby Steps, the clearer the future looks. It wasn't too long ago that I would look at the past and say, 'If only I had known...' **Now we know and are spreading the word.**"

Help motivate and inspire others with your story from a LIVE Event! [Email us](#)

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Regional Appearances

Total Money Makeover LIVE - Colorado Springs, CO

See Dave LIVE Saturday, April 5, 2008 in [Colorado Springs](#).

Total Money Makeover LIVE - San Antonio, TX

See Dave LIVE Saturday, April 12, 2008 in [San Antonio](#).

Total Money Makeover LIVE - Kansas City, MO

See Dave LIVE Saturday, May 3, 2008 in [Kansas City](#).

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Quotes About - Investing

If you under-invest, you will one day be buying that classic cookbook, *72 Ways to Prepare Alpo and Love It*.



- Dave Ramsey

Risk comes from not knowing what you're doing.

- Warren Buffett

October. This is one of the peculiarly dangerous months to speculate in stocks. The others are July, January, September, April, November, May, March, June, December, August, and February. - Mark Twain

Show me someone who's spent all their inheritance, and I'll show you someone who doesn't have the cents they were born with. - unknown author

An investment in knowledge always pays the best interest. - Ben Franklin

The reason you are afraid of investing is because you don't know what you're getting into. Learn about investments! - Dave Ramsey

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