

## Face the Tax Facts

Like it or not, you'll have to reconcile the new law with your finances

**THE 2003 JOBS AND GROWTH Tax Relief Reconciliation Act**, which squeaked through a bitterly divided Congress in May, offered something for almost everyone. And while the \$350 billion package may not have offered the same thing for everyone — a subject for debate as the election cycle heats up — for now it's a fact of your financial life. Here are some highlights.

### What the law did:

► **Income tax cuts for most earners.** Individual income tax rate cuts, originally planned for later this decade, took effect retroactive to Jan. 1, 2003. For the second half of this year, the change means more take-home pay due to less federal tax withheld. For the first half, you'll receive the difference when you file your 2003 income tax return. (The table on page 6 shows the old and new marginal income tax rates.) Also, the law widened the 10% tax bracket, expanding it by \$2,000 for couples who file jointly (to the first \$14,000 in income) and \$1,000 for single filers (to \$7,000), unless you file as head of household.

**For years many newlyweds were shocked to learn that holy matrimony meant higher income taxes.**

► **Dividend and capital gains tax cuts for all.** Retroactive to Jan. 1, 2003, dividend income paid by U.S. and certain foreign firms is taxed at 15% (5% for taxpayers in the 15% and 10% brackets, falling to 0% for 2008). Previously dividends were taxed at your regular income rate. Meanwhile, long-term capital gains taxes, on assets held



at least a year, will also top out at 15% for profits realized after May 5, 2003 (5% for taxpayers in the 15% and 10% brackets, 0% for 2008).

► **"Marriage penalty" makeover.** For years many newlyweds were shocked to learn that holy matrimony meant higher income taxes: The standard federal deduction for couples filing jointly was less than they would have

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# fyi

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## UP FRONT

# 'E' You Later?

**At** TIAA-CREF we're always looking for ways to improve the value of our products and services — including publications like the one you're reading. That's why we'd like your input on the future of *Teacher\$ Talk*. Specifically, we're considering making *Teacher\$ Talk* an electronic, Internet-based magazine, with a link to each issue delivered to your e-mailbox. An online version would be timelier, more interactive and, frankly, would save money (not to mention trees). On the other hand, paper is more portable — from the teachers lounge to the coffee table — and offers something for the tactile sense. (Of course, you could always print e-zines and take them with you.) So, please send us your thoughts and ideas — online, offline, or some combination of the two.

As for this issue, we offer the kinds of educator-focused personal finance news and advice you're used to ... like the cover story on the new tax law, a peek inside your credit score (page 8), and tips for keeping classroom-supply costs from emptying your wallet (page 10). Have a great school year!

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## Scholars Honored in D.C.

**M**ore than 1,400 Washington, D.C. junior and senior high school students were honored by education and civic leaders in a special event co-sponsored by TIAA-CREF in May.

The fourth annual Celebration of Academic Excellence in D.C. Public Schools recognized 9th-12th graders throughout the nation's capital who earned at least a 3.0 grade point average during the 2002-03 academic year.

Held May 22 at George Washington University, the ceremony featured scholarship awards of \$500 to \$1,000 to 25 high school seniors, as well as eight gifts of personal computers. Other students, as well as some parents, received merchandise and T-shirts.

Fully 5,000 parents, teachers and friends cheered as the honorees stood before the podium to state their names and schools. Each senior also told the audience about their future plans.

"For too long our kids were getting mixed messages about the value of academic achievement," says D.C. Schools Counseling Services Director Georgia Arrington Booker. "By publicly recognizing and rewarding our best students

this way, we not only boost their self-esteem but reinforce the idea that success in school leads to success in life."

Emceed by Jay Cooper, a Morehouse College student, former host of BET's *Teen Summit* and graduate of D.C.'s Banneker High School, the celebration also featured speeches by D.C. Board of Ed President Peggy Cooper Cafritz, GWU Provost John Williams and Radio One President and CEO Alfred C. Liggins III. ✦



Jay Cooper engages the crowd.

## New Plan in Town

**T**his month TIAA-CREF unveils a new way to help fund college expenses for your kids or grandkids — particularly if you expect them to attend a private institution.

The tax-favored Independent 529 Plan enables you to prepay costs for any child at more than 200 private colleges and universities nationwide — and lock in tomorrow's tuition at *less* than today's prices.

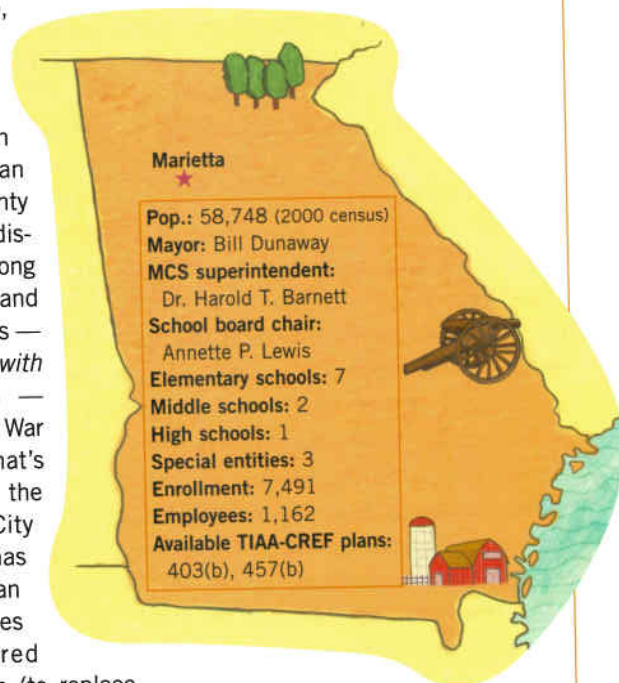
Here's how it works: You buy certificates good toward tuition at any school in the program, a diverse group that includes some of the most prestigious names in higher education.

Developed by the nonprofit Tuition Plan Consortium, the program offers the same tax benefits as other 529 plans. You needn't choose a college now, and the plan won't guarantee admission to any. Also, if the child opts for a school outside the plan, you can change beneficiaries or roll over the funds into a state-sponsored 529 program.

For a list of participating schools and more information, call 888-718-7878 or visit [www.independent529plan.org](http://www.independent529plan.org).

## K-12 SPOTLIGHT: Marietta, Ga.

Northwest of Atlanta, a mere 15 minutes up I-75, lies the picturesque City of Marietta. Founded in 1833, the suburban seat of Cobb County boasts five historic districts, features a long list of arts, cultural and recreational activities — including a *Gone with the Wind* museum — and borders a Civil War battleground. What's more, since 2000 the stellar Marietta City Schools district has offered its more than 1,100 employees employer-sponsored retirement accounts (to replace Social Security) as well as supplemental retirement accounts and a deferred-compensation plan from TIAA-CREF. Above is a K-12 snapshot of the "Gem City of the South."



# Word\$ to Your Mother

Straight talk with your parents now could spare you financial headaches later

# (& Father)

**T**ALKING WITH YOUR aging parents about their finances can be one of the hardest things you can do.

It's also one of the most responsible ways to make the future easier for all of you. Here are key questions to ask.

► **Do you have up-to-date information about their advisors?** Get the names, phone numbers, and street and e-mail addresses of your parents' attorneys, accountants, financial planners and other advisors.

► **Do they have wills?** Wills can pass your parents' assets to whom they choose, implement various estate-tax devices, and name an executor to administer each of their estates. Without wills, though, their assets would pass as directed by state law.

► **Are their beneficiary designations up to date?** Financial contracts can trump wills, so have your parents double-

check their life insurance policies, retirement plans, annuities, and other investments.

► **Do they have durable powers of attorney?** These planning tools empower others to act for your parents if they should suffer a period of mental incapacity. One tip: Find out if your parents' bank wants them to fill out a pre-approved form for this tool.

► **Do they have healthcare proxies?** A.k.a. "durable medical powers of attorney" or "living wills," these planning devices could let your parents name someone to make healthcare decisions should they become mentally incapacitated, and choose in advance which life-prolonging procedures they want to have administered or forgone.

► **Do they have long-term care insurance?** This often overlooked coverage can pay for nursing-home, hospice,



home- and community-based care, as well as care in assisted-living Alzheimer's facilities. It can help your parents protect their other assets, minimize their dependence on family members, and control how and where they receive extended-care services. And the earlier they buy, the cheaper it is.

► **What are their long-term housing preferences?** Do they want to maintain their own home for as long as possible? Do they want to live with family? In a retirement community? A continuing care community? Each choice entails different issues as your parents age. Addressing them now is easier than waiting until you're in full-blown crisis mode.

► **Have they made final arrangements?** This may be the hardest conversation of all, but planning now can save a lot of heartache down the road. Have your parents write down instructions for their funeral preferences — and keep these separate from their wills. If they've already chosen and paid for arrangements or burial plots, have them write that down, too. It can save a lot of confusion later on. ✚

## Need to Know

### IMPORTANT FILES TO KEEP:

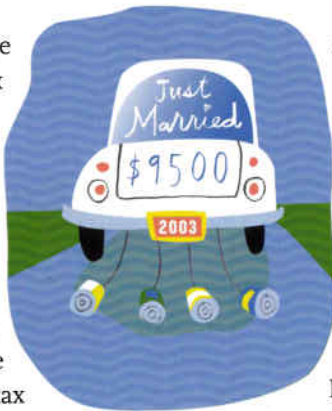
- ❑ **Income and assets.** Pension funds, annuities, stock/bond holdings, mutual funds, real estate, trust accounts.
- ❑ **Bank accounts.** Records for savings, checking, credit union, cash-management accounts.
- ❑ **Insurance.** Personal and group life, property and casualty, disability, health, long-term care, business coverage. Keep info accessible, and learn where the physical policies are, and names of agents or other contact people.
- ❑ **Social Security information.**
- ❑ **Safe-deposit box.** Where it is, how to access it, who has the key.
- ❑ **Tax records.**
- ❑ **Debts.** Mortgages, credit cards, car loans and other liabilities.
- ❑ **Doctors' info.** Names, phone numbers, street and e-mail addresses. Know who's available in an emergency, and their hospital affiliations. Post an emergency contact list prominently in your parents' home; include physicians, relatives and friends.
- ❑ **Medications.** Prescription and over-the-counter.

## FACE THE TAX FACTS

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received had they stayed single and filed separately. The tax law didn't eliminate the "marriage penalty," but it created more equity. The new standard write-off for joint filers (\$9,500 for 2003) is precisely double the one single filers can snag. Similarly, joint filers' taxable income cap for the 15% tax bracket (\$56,800 this year) is now double the limit for singles.

► **Growing child tax credits.** Congress raised the annual tax credit for dependent kids (including step, foster and grandchildren) to \$1,000, up from \$600. (The credit phases out for cou-



ples will revert to their old forms after 2010, long-term cap-gains tax rates will rise after 2008, and the break for married couples will go through a presumably messy divorce after 2004. Even so, pundits say

Congress will likely extend the cuts when their times come, ballooning the tax law's overall cost from \$350 billion to more than \$1 trillion. After all, the argument goes, who on Capitol Hill would take the political risk of ending this Cinderella tale?

### What you should do:

► **Revisit your W-4.** Because the tax law forced the IRS to start withholding less money from most employees' paychecks, first **make sure the new withholding amount is accurate** based on your income. For example, if your marginal income tax rate fell from 27% to 25%, the paychecks you receive each week should be about 2% fatter, depending on whether and how much you automatically invest in a tax-deferred retirement-savings plan. (Your weekly take-home amount should rise even more if you didn't see any paychecks during the summer.)

Next, **think about whether your withholding amount still makes sense.** Withholding taxes are like an interest-free loan you make to Uncle Sam. If you get a big refund check each April, you're having more withheld than you

**Withholding taxes are like an interest-free loan you make to Uncle Sam. If you get a big refund check each April, you're having more withheld than you need to.**

ples with adjusted gross income [AGI] above \$110,000, and \$75,000 for singles; at press time Congress was still considering boosting that first limit, at least, to \$150,000.) If you qualify — and you filed your 1040 for 2002 — you should have received a *prebate* check of up to \$400 per child by now. (Like last year's tax "rebates," this one is really an advance refund of 2003 taxes for which you'll file next April. Thus it's important to keep good records.) If you haven't received your check, contact the IRS.

► **Walking on sunsets.** In order to pay for the cuts without appearing to break the federal bank, Congress set almost all the provisions to expire after a set period. Thanks to these "sunset rules," for example, the lower income tax

### OUT WITH THE OLD RATES...

#### EARNED INCOME

Old rate <sup>1</sup>	New rate
27.0%	25%
30.0%	28%
35.0%	33%
38.6%	35%

#### DIVIDENDS

Old rate <sup>2</sup>	New Rate
38.6%	15%
35.0%	15%
30.0%	15%
27.0%	15%
15.0%	5% <sup>4</sup>
10.0%	5% <sup>4</sup>

#### CAPITAL GAINS<sup>3</sup>

Old rate	New Rate
20%	15%
18%	15%
10%	5% <sup>4</sup>
8%	5% <sup>4</sup>

<sup>1</sup> The 10% and 15% tax brackets stayed the same.

<sup>2</sup> Old rates were equivalent to ordinary income rates

<sup>3</sup> Top rate on long-term gains realized after May 5, 2003

<sup>4</sup> 0% in 2008



need to. So consider increasing the number of allowances you claim on your federal W-4, and get your “refund” early. Use the extra cash to pay down debt, save or invest.

Then too, despite a last-minute, \$20 billion aid package for state governments, most states are reeling due to balanced-budget laws that have forced cuts in services and hikes in state and local taxes. These could easily wipe away any gains you get from the feds. In fact, many teachers could foot higher bills for classroom supplies this year (see related story on page 10). So if your state levies income tax, check to see whether your state withholding is high enough, and raise it if necessary.

► **Look at the big picture.** It’s important to put the new rules in their proper context. No one knows if Congress eventually will let the tax cuts ride off into their stated sunsets. So, **your best investment move is probably none at all.** True, if you have substantial assets outside a tax-deferred retirement plan, you might want to tweak your portfolio to take advantage of the new tax rates on capital gains and dividends. But as long as you have a sound mix of stock, bond, real estate and cash investments, based on your goals, time horizon and risk tolerance, stick with it.

After all, if the new law has taught us anything, it’s this: Tax cuts may seem heavenly at first glance, but it pays to give the devilish details their due. ✪

TIAA-CREF does not offer tax advice. See your tax adviser regarding your particular situation.

## Make Better Choices: A Chat with Robert Shiller

**T**HE BURGEONING field of behavioral finance studies the role psychology plays in decision-making. TIAA-CREF recently asked one of its leading researchers, Robert Shiller, the Yale University economics professor and author of *Irrational Exuberance* and *The New Financial Order: Risk in the 21st Century*, how investors can make better choices.



### What psychological factors affect investors’ decisions?

Lapses in attention account for some of our biggest errors. There is a social basis for attention, and most people find their attention drawn to whatever else others are paying attention to. Thus, for example, during the 1990s people’s attention was increasingly drawn to the stock market, which everyone was talking about, and then since 2000 more to the real estate market, where conversation has now shifted.

People also have a tendency toward overconfidence — they trust their intuitive judgment too much. Thus, during the tech stock bubble of the 1990s, many people were overly confident of their judgments about tech stocks, concentrated their investments too much in certain stocks, and paid dearly for it.

### How can investors avoid irrational or illogical behavior?

First, make it a personal rule always to talk with others — or at least your spouse — before making any important investment decision. Next, consult with a personal financial advisor. Third, read magazines or columns on personal finance, or tune in to financial advice shows, even if investing is

not a congenial topic for you; don’t leave it all to your advisor. Also, make it a personal rule to diversify broadly across all asset classes. Finally, reflect on the fact that you, as a member of the human race, are vulnerable to psychological issues such as attention anomalies and overconfidence.

### Your latest book, *The New Financial Order: Risk in the 21st Century*, offers strategies for managing the financial risks people increasingly face today.

It presents a vision for the democratization of finance in the future, including new institutions to allow everyone to hedge their personal risks better. We do not have those institutions yet. So people today should ensure they make the best use of the institutions we do have. This means buying more life insurance and disability insurance than most people do, contributing more to their pension plans than most people do, and not misusing those credit institutions that are behind the trend toward increased personal indebtedness. ✪

These are the personal views of Robert Shiller and not necessarily those of TIAA-CREF.

# Know the Score

Your credit data can help you live the American dream — or nightmare

**T**ODAY'S HISTORICALLY low interest rates have led many Americans to binge on often easy credit. In some cases that's good: Low-rate home loans and, in particular, mortgage refinancings have given more people the chance to own or renovate a home, pocket some cash, and pay off high-rate loans — all while propping up real estate, a bulwark of the U.S. economy. In others it's not so good: More folks are saddled with bigger debt loads at a time of economic uncertainty and rising job losses.

But in every case, the trend has affected a statistical rating many borrowers didn't even know they had: your credit score.

The fact is, these three digits could make or break your financial life. Naturally, lenders want to know what kind of risk you might pose to them

before they extend you credit. But these days your employer, your phone company and even your insurer can use your credit score — and the broad, detailed credit reports in which it resides — to help decide on their policies and costs regarding you.

## Soft you now, the Fair Isaac

Chances are your credit score has been compiled by a California firm called Fair Isaac & Co. "FICO" scores run from about 350, which would put you in any lender's doghouse, to 850, which could net you a quick loan on a penthouse. Even so, most fall into the 600-to-750 range, according to Bankrate.com.

In 2000, after consumer and Congressional wrangling, Fair Isaac unveiled the five factors it weighs in calculating your FICO score:



► **Payment history (about 35% of your score).** This reflects your bill-payment record for credit cards, retail accounts, mortgages, installment loans and other debts. Timeliness is key — generally, the later you are with payments, the lower your score. But recent history counts more than older data, and frequency of late payments is factored in too.

► **Current debt load (30%).** As a rule, fewer credit cards are better than more. Still, the number of accounts you have is less important than how many have balances, and how much of your total credit lines are being used.

► **Credit history (15%).** In general, the longer the better. This is why it's important to establish good credit — and good payment practices — as early as you can.

► **Types of current credit (10%).** Fair Isaac looks for a healthy mix — credit cards, installment loans, mortgages, etc. — but cautions that you

## ID THEFT: What's in Your Name?

IT CAN BE AS SIMPLE AS SOMEONE swiping your purse or as complicated as conning their way into your credit files. In any form, identity theft — using a piece of your personal information to commit theft or fraud — can cost you plenty. Not only can thieves steal from you, they can ruin your name by, say, opening fraudulent accounts that leave you with bad credit — or even a criminal record. Here are a few ways to protect yourself:

► **Check your credit reports at least once a year.** According to the FTC, the average ID theft victim doesn't learn they've been hit until 12 months after

the incident occurs. So look for any activity you can't readily account for.

► **Don't carry your Social Security card or leave your number in an easily accessible place.** The law says you're liable only for up to \$50 in fraudulent credit card purchases made in your name. But if someone swipes your Social Security number, watch out.

► **Make secure Internet transactions only.** Enter credit card or other super-sensitive personal information only on web pages that are securely encrypted. Look for a closed lock or solid key icon on the page, as well as a url that begins with "https".

shouldn't open accounts you don't intend to use.

► **Recent credit moves (10%).** Opening or even applying for too many accounts at once isn't good. Still, because lenders check your credit report every time you apply, Fair Isaac typically treats multiple inquiries in a short period as a single inquiry. This way you're not penalized for shopping for the best rate.

To calculate your overall credit rating, the Big Three credit bureaus — Equifax, Experian and TransUnion — then take your score and factor in your education level, how long you've lived in a single location, how long you've worked for a single employer, and

whether you own or rent your home. All this data enables retailers, for example, to offer you "instant credit approval" at the touch of a few computer keys.

### Margin for errors

Experts say distilling so much data into a single score has helped streamline the mortgage approval process, cutting costs as well as enabling more people to qualify for better deals. Trouble is, besides transforming you from a person into a number in lenders' eyes, your score is only as accurate as your credit reports.

So, get copies of your reports issued by all three credit bureaus, and make

sure their information is complete, accurate and consistent with one another. Firms can't charge you more than \$9 per report, but some tack on your credit score for an additional fee. (You may be entitled to free reports if you've recently been denied credit or for other reasons.) You can get copies from a variety of sources including the credit bureaus themselves and from websites like Fair Isaac's myFICO ([www.myfico.com](http://www.myfico.com)) and ConsumerInfo.com.

If you find mistakes, contact the relevant credit bureau(s) in writing as soon as possible. (For more information, get a copy of the Federal Trade Commission publication *How to Dispute Credit Report Errors* at [www.ftc.gov](http://www.ftc.gov).)

## WEBWISE

# Point, Click, Learn

THIS LATEST IN OUR occasional series on educator-friendly Internet resources features diverse yet superlative nonfinancial sites that can save you time (which, as any teacher can attest, is often far *more* than money).

► **American Federation of Teachers** ([www.aft.org](http://www.aft.org)).

You needn't belong to one of the nation's two preeminent teachers unions (the NEA's the other) to take advantage of this excellent online resource. You'll find everything from teacher salary trend reports to legislative news, along with timely special features such as the "Summer Learning Calendar" — an extensive interactive section offering three months' worth of lessons, activities, information and links to help keep students and parents academically engaged year-round (this summer's topic: space and astronomy).

► **Teachers.Net** ([www.teachers.net](http://www.teachers.net)). This text-heavy, seemingly bare-bones site actually offers info-starved educators plenty of red meat. It boasts a first-rate, column- and feature-rich monthly e-zine *Teachers Net Gazette*; a wealth of resources, from job listings to a searchable "lesson exchange" to topic-driven live chats; and more than 120



vibrant "chatboards" — including one for administrators and individual boards for teachers in each of the 50 states — that feature discussions of virtually everything good, bad and ugly in and out of the classroom. It even links to affiliate sites for administrators, retired teachers, and educators in Canada, the U.K. and Australia and New Zealand. Your assignment: Bookmark it.

► **Education World** ([www.educationworld.com](http://www.educationworld.com)). Owned by education technology company EDmin.com, this site bills itself as "The Educator's Best Friend." We won't go that far, but it's worth a leisurely browse. Edited by *Weekly Reader* veterans, it includes a "safe" search of other education-related sites, time-saving tools including printable templates, and articles on topics ranging from pay-for-performance to the class-size debate. Its reach occasionally exceeds its grasp — some areas are underdeveloped, links outdated, and content not exactly timely. But so much here — particularly the advice, from planning fun student lessons to rallying the teaching troops each fall — is timeless.



# Full Classrooms, Empty Pockets

Teachers pay for more than \$1 billion in classroom supplies each year. Here's how to ease the pain.

**S**TATES AND LOCALITIES across the country are facing dwindling budget coffers — and school districts are forced to “leave no child behind” despite receiving precious little federal funding to see the mandate through. The result: More and more educators are emptying their own pockets to ensure that students have a proper supply of paint, protractors and project materials.

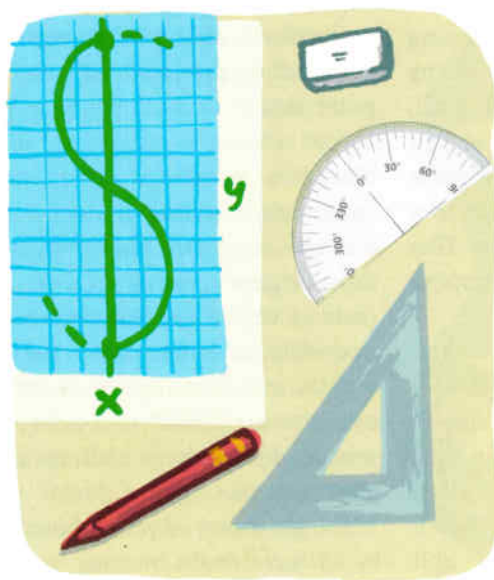
Teachers spend an average of \$589 a year on instructional materials and school supplies, according to a 2001 study by the National School Supply and Equipment Association. In fact, the NSSEA estimates that the nation's K-12 educators foot a \$1.3 billion annual bill for classroom materials.

Indeed, fully three-quarters of teachers spend their own money on basic school supplies, and more than half (56%) do so to pay for instructional materials. And now that municipalities everywhere are singing the budget blues, “the problem may get worse,” says American Federation of Teachers spokesperson Celia Lose. “The purse strings are really being pulled tight. These are lean times.”

Administrators sometimes help defray costs, but reimbursement practices vary by state, district and even school. PTAs often help subsidize supplies too, typically through fundraisers. And some schools send students home in June with a list of recommended, grade-appropriate supplies for the following September — along with a price tag and a check request; this makes funding convenient for parents, and it enables teachers to house the supplies in classrooms rather than relying on kids to bring them in when needed.

## Some tips:

► **Seek donations.** Fundraisers are a time-tested way to pay for supplies (see the box at right for ideas). Direct dona-



tions are another source. For example, [iLoveSchools.com](http://iLoveSchools.com), a nonprofit subsidiary of San Diego-based [eWebLab.com](http://eWebLab.com), connects individual donors with schools and teachers seeking everything from art supplies to air conditioners.

► **Shop at school-centric stores.** Many land-based and online school supply stores give price breaks to teachers. And if your school isn't enrolled in cash-back programs via local merchants or networks like Family Education Network's

SchoolCash ([www.schoolcash.com](http://www.schoolcash.com)), which rewards schools when consumers shop at more than 250 online stores, sign 'em up.

► **Ferret out freebies.** Online clearinghouse Sites for Teachers ([www.sitesforteachers.com](http://www.sitesforteachers.com)) links to hundreds of websites offering lesson plans, craft supplies, games and more — many at little or no cost.

► **Keep your receipts.** As we noted in our March issue, you can now deduct up to \$250 a year for out-of-pocket book and classroom supply costs on your federal tax return, whether you itemize or not. ■

## Fundraisers that Can Foot the Bills

**L**ots of product and vendor pitches call themselves “can't-miss” fundraisers, so do your homework before you sign up. One reputable firm, QSP Reader's Digest subsidiary [eFundraising.com](http://eFundraising.com), offers programs that promise up to 90% profits for your school. Do-it-yourselfers should also check discussion boards at websites like Teachers.Net (<http://teachers.net/projects/fundraising>), and Family Education Network's What Works (<http://familyeducation.com/whatworks>; look under “School Tips”), which brim with ideas.

Example: You can recycle old printer cartridges and cell phones in exchange for new technology, sports equipment or cash via firms like Funding Factory ([www.fundingfactory.com](http://www.fundingfactory.com)) and Recyclers USA ([www.recyclersusa.com](http://www.recyclersusa.com)).

# Missionary Man

Teachers advocate Scott Dauenhauer aims to take wayward K-12 districts to school

**S**COTT DAUENHAUER has a soft spot for teachers. There was the seventh grade science instructor who “made things come alive” for him ... and the college business law professor whose lessons on ethics continue to inform his life and work. But at the end of the day (and on weekends), his hands-down favorite is the woman who heads the science department at Ensign Intermediate in Newport Beach, Calif., a.k.a. his wife, Shauna.

There are the obvious reasons. “She’s the perfect complement to me,” says Dauenhauer, a fee-only certified financial planner in Aliso Viejo, Calif. “She’s very patient, very organized, and she’s got this incredible personality that people kind of flock to.” She even taught summer school last year — “with a smile on her face” — to help keep Scott’s fledgling firm, Meridian Wealth Management, afloat.

But Shauna is also indirectly responsible for what has become Dauenhauer’s unofficial mission: to fight for the financial interests of K-12 educators. It began in 1998, when he tried to make sense of the dubious pension plan Shauna and her colleagues had been pitched. That would eventually snowball into a website ([www.403bRetire.com](http://www.403bRetire.com)), newsletters (*The Teachers Advocate*), books (*The 403(b) Wise Guide*) and a full-fledged advocacy avocation.

His current “crusade” is a grass-roots effort to fix what he calls “the Orange County mess”: 10 of the county’s 32 K-12 districts recently hired a firm that replaced their 403(b) supple-

mental retirement savings plans with a program that features poor choices, high fees and, Dauenhauer says, a web of too-cozy corporate relationships, cronyism and kickbacks.

The dirty details are in the contract’s fine print — and Dauenhauer’s crying foul. “The teachers are really getting taken advantage of here,” he says, maintaining that the onus isn’t on the administrator but on the folks who hired it. “The districts don’t understand the fiduciary issues, that they have an obligation to look out for the teachers’ best interests.”

So, Dauenhauer speaks, writes and lobbies districts, employees and legislators — all while trying to build a financial planning business that, not surprisingly, offers teachers a discount for its services.

“He truly puts his clients’ interests first,” says Dan Otter, who co-authored the *403(b) Wise Guide* and is working with Dauenhauer on two new books for teachers, on 457s and general financial topics. “A lot of people say that. Scott does it.”

The combination of work ethic and ethical work doesn’t surprise those who know Dauenhauer, the third of four kids raised in Portland, Ore. by role-model parents. His father, Leroy, was a firefighter for 32 years; his mother, Kathy, escaped an abusive first



Dauenhauer wants to ensure that teachers like Shauna (holding Collin) get a fair deal. “The districts,” he says, “have basically been duped.”

marriage and worked her way off welfare to become a successful realtor.

The Dauenhauers also draw strength from their faith — and each other. They met as undergrads at Assemblies of God-affiliated Southern California College (now Vanguard University), when Scott’s errantly thrown napkin ball found its way to Shauna’s forehead. Their first date was at Disneyland, and within six months they were engaged.

The rest, including son Collin, 2, is history. “I married way above my pay grade,” Dauenhauer jokes. Teachers in Orange County — and beyond — should be glad he did. ✪