PEI
PROFESSIONAL EDUCATORS OF IOWA

For your Consideration!

We have a very important article in this issue concerning your taxes. **The federal deduction for K-12 teachers is being eliminated.** Al Kaduce, CPA has written what you can do from a personal standpoint in your reporting. More importantly, you can put some pressure on your legislators both federally and statewide to quit taking your money. PEI has always taken the stand that saving you money is just as important as getting higher paychecks. When politicians tell you they haven't raised your taxes, let them know that they have raised teacher's taxes by taking away valuable deductions.

PEI has always announced when our members are running for office. We have another announcement in this newsletter. We do so regardless of political affiliation so if any other PEI members are running for a state or national office, please let us know.

The "*Controversy*" in our headline is PEI's involvement in a conference that is happening soon. This is a "you decide" debate so we encourage you to read the announcement enclosed. Our role is a workshop to inform educators what their legal rights are concerning their personal religion and beliefs at school; you need to know the borders. Sunday, February 16, 2014 we will be at the Indianola High School to present with attorney Jim Gilliam, from Long & Gilliam. Our event just precedes the Evolution vs. Creation debate of the seminar.

Jim Hawkins, Senior Director

The Disappearing Educator Deduction

K-12 educators have been allowed to deduct up to $250 ($500 if both spouses are educators) on page 1 of their individual income tax returns. This deduction is slated to expire with your 2014 return (filed in 2015). As school budgets are cut, it has been my experience that $250 is only a fraction of the non-reimbursed expenses educators incur in a year.

Qualifying educator expenses include ordinary and necessary expenses paid in connection with books, supplies, equipment (including computer equipment and software) and other materials used in the classroom. Ordinary expenses are those that are common and accepted in your field. Necessary expenses are helpful and appropriate for your profession. These expenses do not have to be required.

Qualified educator expenses in excess of $250 will continue to be deductible as "miscellaneous itemized deductions" on schedule "A" of your return. That presents two difficulties to receive benefit: 1) you must itemize your deductions (instead of taking the standard deduction) and 2) your educator deductions must be reduced by 2% of your adjusted gross income (AGI). In the case of a married couple making $100,000, the first $2,000 of educator expenses is disregarded.

The Iowa rules on educator expenses for 2013 are the same as Federal. Will Congress and Iowa reinstate this small benefit for educators in 2014? Only time will tell.

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Scholarship Addition

Last week we ran our 2013 Scholarship Recipient edition and mistakenly missed including Howard Winneshiek's Local recipient,

Erin Buehler.

Indianola Hope Conference 2014

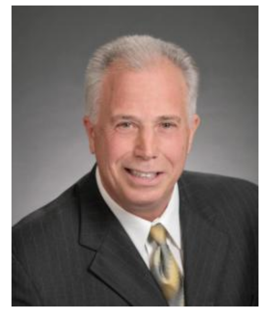
Creation vs. Evolution

PEI has been invited to participate in this conference on Sunday, February 16, at 2:30 pm at the Indianola High School. Jim Gilliam, attorney, will be speaking on "The Teacher's Guide to Religion in the Classroom."

Immediately following this presentation, **Dr. Hector Avalos, Professor of Religious Studies at Iowa State University and Rev. Juan Valdes, Senior Pastor at Iglesia Centro Evangelico, in Miami, Florida**, will face off in a debate entitled, "*Is Genesis 1-3 a Scientifically Reasonable Account of the Origin of the World?*"

This conference is open to the public and there is no charge. For more information contact the office.

PEI member, Joe Grandanette running for Congress!



"I am running for congress to save the country for the people of the state of Iowa and all of the United States of America. I will not sell my soul to the liberal agenda in congress. You can believe me and believe in me and trust in me to do the job. I will not waiver. The Federal government is out of control and you change that with the people who you elect. I am the underdog in the race. You have to compete in all of life and I am battle tested. You need someone who will go up against the liberal agenda. I am ready to serve you. I will be a public servant and not a politician. There is a big difference. I owe that to the people I represent in District 3. Come on board and help my candidacy or just spread the good word about my candidacy. Thanks,"
Joe (Mr. G)

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Getting out of Debt the Wrong Way

by Jim Garnett

As a veteran financial counselor, I have seen numerous people who have sincerely tried to pay off their debt but with little success. Their desire was right but their method was wrong. Since experience is a good teacher (especially the experience of others), we can learn from their example and not follow them down the road to failure. That's what I call "learning from the school of hard knocks without having to be enrolled."

There are indeed ways to pay off debt, and there are ways to avoid because they simply do not work. That's the topic of our discussion today - methods of paying off debt that do not work. Here are some of the most popular.

1. Paying down debt while continuing to use credit.
Many couples make a concerted effort to pay off their debts but they continue to cre-
ate debt while doing so. They pay on their credit cards each month, but continue to use them. They soon notice that the more they pay off the credit card debt, the more they have to use their cards. They are like a man trying to fill up a bucket that has a big hole in the bottom; whatever goes in at the top, comes out at the bottom! After years of doing this, with little change in their debt balance, they conclude in despair that they will never pay off their debt and stop trying. If we are to make any headway in paying off our debt, we have to "stop the leak," that is, stop using credit and start living within our means. We will discuss how to do this later.

2. Paying down debt by only making minimum payments. Credit cards, for example, require a very small % of the balance for the monthly payment normally around 1-2%. When credit cards were originally issued back in the early 60's, the monthly minimum payment requirement was 5% of the balance. Consider the progress we would make if we paid off the average family's credit card debt ($15,270) at the average rate of interest (15.06) with a 2% minimum payment (Source: CreditCard.com, December 24, 2013). The MSN.com credit card repayment calculator tabulates the results: With a starting monthly payment of $305.40 (which becomes less each month as we pay down the principle), it would take us 44.8 yearsto pay off the debt. At the end of that time we would have paid $25,173 in interest charges making our total debt payoff amount $40,443! So, if we started our plan to pay off debt at age 30, we would reach our goal just before celebrating our 75 birthday! Does that sound like a good plan to anyone?

3. Paying down debt with a second mortgage. This is one of the most popular strategies, yet one of the most destructive. It not only does not work, it makes things worse!

A. It does not pay off debt - it only "moves" it to a new location. To achieve less credit card debt by having more home mortgage debt is not a good trade. Yes, I am aware that the interest is less on a home mortgage loan and that that interest is tax deductible – but it still is not a good trade! Our home is not an ATM machine to make withdrawals to cover things we do have money for
That means that when it comes time to move, we will have little or no equity in our home, thus little down payment for our next home. And when it comes time to retire, we are forced to make house payments with our retirement income as we take on a part time job to make ends meet. A 2010 survey by the Federal Reserve showed 41% of the people surveyed ages 65 - 74 had mortgage debt. (Source: MarketWatch.com, June 5, 2013).

B. It turns an unsecured debt into a secured debt. I know the interest is less on a home mortgage, and is also tax deductible. Nonetheless, it is rarely wise to exchange secured debt for unsecured, especially when it puts our home at even greater risk for loss.You can bankrupt unsecured debt, but if you bankrupt secured debt, you will lose it!

C. It requires no change in our spending habits,and within three years our credit card debt returns with an even higher balance.

4. Paying Down Debt With Retirement Funds.Borrowing against our 401(k) to pay down debt is also not a method to use. There often is a 10% penalty to tap into our retirement funds early, plus the proceeds are regarded as "income" and are susceptible to taxes. That means that if we borrowed $20,000 from our 401 (K), we could forfeit $2000 up front, plus potentially pay income tax on $18,000 of addi-tional "income." The cost of tapping our retirement funds under these restrictions is not worth the cost. Here are two lessons to learn by studying these four unsuccessful methods?

1. Any plan to pay off debt that continues to create the very problem (debt) we are trying to solve will fail. In other words, borrowing to pay off debt is like digging a hole in our front yard to fill in a hole in our back yard.
2. Any plan to pay off debt that does not require a change in our spending habits will fail. If the process that created the problem continues, we cannot expect the problem to vanish. Our next discussion will talk about methods that do work.

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