

WITH MICHAEL D. EVANS, CPA, CFP

Money Talk

Individual Retirement Account

Mary and Joe are both age 30. They each earn \$25,000 per year. Both plan to invest \$2,000 per year for the next 20 years. Mary and Joe prefer conservative investments. They expect to earn 10 percent per year. Interestingly enough, twenty years from now Mary has accumulated \$46,376 more than Joe.

Is Mary that much smarter than Joe? She may be. In this case, however, the tremendous difference in the value of their accounts lies in the fact that Mary contributed \$2,000 annually to an IRA. Joe chose to invest his \$2,000 outside an IRA.

Value of Accounts
in the year 2004

Mary	\$114,550
Joe	68,174
	\$46,376



Evans

Because Joe did not contribute to an IRA, he did not receive the \$2,000 deduction on his income tax return. Since Joe is in the 28 percent bracket, he paid \$460 more in taxes than Mary did. Thus, Joe really only had \$1,540 to invest (\$2,000 - 460). Second, even though they each earned a 10 percent rate of return, Joe had to pay taxes on his earnings each year. Joe actually earned a 7.7 percent after-tax rate of return. Earnings on monies contributed to an IRA are not taxed until withdrawn. Therefore, Mary did not have to pay taxes on her earnings each year.

Is an IRA for everyone? The answer is no. However, each individual should take a careful look at his financial situation to determine if an IRA contribution is appropriate. As 1994 comes to a close, contributions to retirement programs (e.g., IRA's, Keogh) are the major tax saving strategies remaining.

By contributing to an IRA, you will receive:

- One dollar of tax deduction for each dollar contributed
- Tax-deferred compounding of earnings
- Deferral of taxation until later years when you will likely be in a lower tax bracket
- Increased savings for retirement

Monies contributed to an IRA cannot be withdrawn without penalty before age 59½. This, perhaps, is the biggest disadvantage of contributing to an IRA.

IRA monies can be invested in stocks, bonds, mutual funds and even real estate. You are not limited to bank certificates of deposit and insurance contracts.

IRA's are a powerful vehicle for reducing taxes and saving for retirement. Before establishing an IRA, review your tax situation and current cash balances. Make an intelligent decision!

NCNB To Award \$26,000 To Musicians

Scholarships and cash awards valued at \$26,000 await young musicians in North Carolina who compete in the 1994 NCNB Music Competition.

In its fourth year, the NCNB Music Competition has expanded its prizes to allow more young North Carolinians to receive quality music education.

First prize in this competition sponsored by NCNB National Bank is a \$12,000 scholarship to the North Carolina School of the Arts in Winston-

Salem. The winner receives \$3,000 annually for up to four years of study at the School of the Arts.

The second place contestant receives a four-year scholarship to the School of the Arts valued at \$8,000 (\$2,000 annually), while the third prize is a \$4,000 (\$1,000 per year), four-year scholarship.

Competition begins with regional auditions in Fayetteville, Marion, Wilson and Winston-Salem on February 16. One contestant in each region will

receive a \$500 cash award. These cash awards are to be used at the winners' discretion for the advancement of their music careers.

The regional auditions determine the finalists to be invited to the final competition to be held in NCNB Performance Place in Charlotte's Spirit Square on March 12. That competition will determine the scholarship winners.

The competition is open to residents of North Carolina who have not

reached the age of 20 and who are not enrolled in a music program at an institution of higher learning.

Competition includes strings, woodwinds, brass, percussion, harp, piano, classical guitar and voice.

Applications are available through music teachers or by writing Ms. Sheiby Graham, NCNB Corp. T24-1, Charlotte, N.C. 28255.

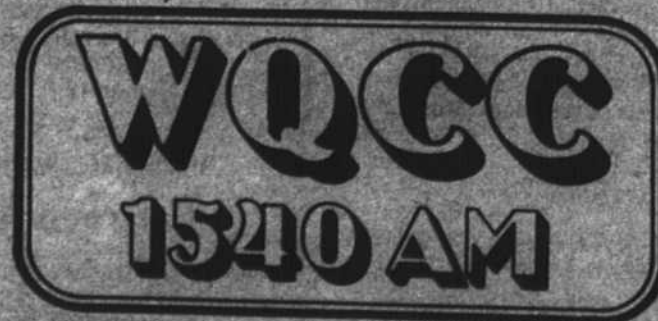
The Music Competition is part of NCNB's continuing support of the arts.



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