

TAKING STOCK: MORTGAGE INSURERS

In March, Bank of America announced a program that would reduce principal by as much as 30 percent for some homeowners who are underwater with their mortgage loan. This should reduce the number of foreclosures and the stress on mortgage insurers, predicts Laura Goldman of LSG Capital.

"Due to the precipitous decline in home prices, mortgage insurers have been lagging (behind) the market," Goldman says. "A mortgage insurer is on the hook to pay a claim when a property goes into foreclosure." This is important if other lenders follow suit. Among publicly held pure mortgage insurers, Goldman favors PMI Group (NYSE: PMI; price: \$7.16) and Radian Group (NYSE: RDN; price: \$16.48) and likes MGIC Investment Corp. (NYSE: MTG; price: \$11.87). She's also keen on mortgage bond insurer MBIA (NYSE: MBIA; price: \$7.71).

EXTREME FINANCIAL MAKEOVER: BLENDING BLENDED-FAMILY FINANCES

For 2 years, the Browns—Martha, who is 43; and Tom, who is 46—have been a blended family with three kids, but they haven't blended finances. They want a united view of their finances, so "we move forward together with joint financial goals instead of individually held-over goals," Martha explains.

Blending a family's finances takes more than opening joint accounts or combining home equity.

College: The Browns planned to dip into their home equity to foot some of the bill. Scratch that, says Julie Asti of Asti Financial Management. Her advice: Take out student loans, which have lower interest rates and a deferral period.

Martha must pay 25 percent of her daughter's college costs by divorce decree. Tom believes that his kids can pay their own college costs. Asti suggests that the couple contribute \$2,500 annually for each child's college costs, for which they

would reap a tax deduction of up to \$7,500 per child. The \$15,000 Martha earmarked for her child's education, Asti says, should be put in a 529 college-savings plan to get the tax break and tax deferral.

Life insurance: Tom has a \$330,000 policy earmarked for his kids by court order and a \$200,000 policy that makes Martha the beneficiary. Asti says Tom should increase the latter policy to at least \$500,000 and have a 30-year term policy. She says Martha needs to purchase perhaps \$500,000 in insurance; her daughter will get some via beneficiary designation. If Martha dies, her life insurance proceeds can satisfy her college-payment obligations for her daughter, says Evan Shorten, who is president of Paragon Financial Partners.

Trust and will: By documenting asset allocation, the spouses can access resources and protect financial contributions, Shorten says.

breaking it all down

ANNUAL INCOME

Tom: \$90,000+
Martha: \$12,000



SAVINGS & EQUITY

Tom: \$106,000
Martha: \$233,000



COLLEGE FUND

\$15,000 mutual fund investment



RETIREMENT

Tom: \$125,000
Martha: \$192,000



MORTGAGE

\$1,800/month
\$200,000 outstanding



SHOULD YOUR PORTFOLIO VISIT AUSTRALIA?

"Australia now is one of the great investable locations," claims Terry Connelly, who is dean of Ageno School of Business at Golden Gate University, San Francisco. "Australia is a leader in both finance and natural resources in the Pacific Rim area," adds Charles Scott of Pelleton Capital Management.

Connelly tells Consumers Digest that Australia has a stable economy that was lucky enough to miss the global recession. Its resources sector—particularly coal, iron ore, and natural and liquid gas, all of which it exports—enjoyed a boom. The land down under also has a stable banking industry; a government that boasts a strong social security program and a surplus of funds; and a real estate market that has good underwriting practices.

Connelly recommends the following investment choices: The mining company BHP Billiton (ADR) (NYSE: BHP; price: \$81.36) and ResMed (NYSE: RMD; price: \$61.38), which is a holding company that has subsidiaries that manufacture sleep-disorder breathing equipment. The list also includes Australia's four big banks, which the government won't let merge or be bought by outsiders. They are: National Australia Bank (ASX: NAB; price: \$27.69 ASD), Commonwealth Bank (ASX: CBA; price: \$58.05 ASD), Australia and New Zealand Bank (ASX: ANZ; price: \$25.16 ASD) and WestPac (ASX: WBC; price: \$27.78 ASD).

"The easiest way to own Australia is through the iShares MSCI Australia Exchange Traded Fund (NYSE: EWA; price: \$25.49)," Scott believes and adds that BHP Billiton, Commonwealth Bank of Australia and Westpac make up 32 percent of the ETF's holdings.