

FAQ

CAN I COUNT ON SOCIAL SECURITY?

THE RECESSION IS TAKING ITS TOLL ON REVENUES, BUT DON'T PANIC.

YOU CAN DEBATE WHETHER life is just beginning or you are over the hill when you reach the big *four-oh*. But if you're 39, you've got another worry: Social Security.

The 2009 Social Security trustees' report shows that by 2016, tax revenues flowing into Social Security will be less than the benefits paid out. By 2037, the program's trust fund will be depleted—just when today's 39-year-olds will be reaching full retirement age. That's four years earlier than the trustees predicted last year, mostly because the recession has pressured payroll-tax revenues and because people are expected to live longer.

An earlier day of reckoning isn't good news, but neither is it an insolvency crisis, says law professor Neil Buchanan, of George Washington University. A depleted trust fund doesn't mean the account is empty; new tax revenues will still pay for 76% of benefits promised in 2037. Plus, even after accounting for inflation, payouts are expected to rise along with increases in GDP growth and productivity over the 75 years the trustees projected. So future beneficiaries may be better off than their counterparts today, even if

benefits are trimmed.

If lawmakers act soon, they may avoid tax hikes and drastic cuts in future benefits. But, says Chuck Blahous, of the Hudson Institute, the window of opportunity won't last.

For now, Medicare's crisis trumps Social Security's. Medicare's Hospital Insurance trust fund will be depleted by 2017. And over the next two years, monthly premiums for Part B, which covers doctor visits, are expected to jump for new and high-income enrollees.

●● Grab It!
TAX HOLIDAYS

Take a tax holiday in August, when a number of states will let you escape levies on school supplies, computers, clothes and other merchandise. From August 7 to August 9, Missouri exempts up to \$100 spent on clothing, \$50 on school supplies and \$3,500 on computers. North Carolina's holiday is the same weekend and includes a break on up to \$50 in sports equipment. Coming up: Maine is considering a tax holiday on most merchandise up to \$2,500 over the Columbus Day weekend. Also look for tax breaks from some states in the fall on energy-efficient appliances.



JULIE BARKLEY HAS HER SIGHTS ON BEST BUY.

SMALL BUSINESS

BIG PLANS FOR A SMALL GADGET

THIS INVENTOR HOPES TO STRAIGHTEN OUT YOUR KNOTTY PROBLEM.

JULIE JOHNSON BARKLEY LOVED HER IPOD BUT WAS FRUSTRATED by its frequently tangled earbud cords. Determined to invent a solution, she raided her son's toy box and her sewing kit. Wielding a glue gun, the part-time Houston dental hygienist put together a homemade model of what would become the Earbud Yo-Yo. Covington Creations (www.covington-creations.com), named for Barkley's Louisiana birthplace, was incorporated a year ago. By the end of 2009, Barkley expects her business to be in the black. The Earbud Yo-Yo is a cable organizer, about 1 square inch in size, that retails from \$11 to \$17. It works on earbuds for any device—an iPod, Nintendo DS or smart phone, for example. Barkley knew she was on to something when she took designs to a patent attorney.

"Right away, there was a little frenzy in the office," she recalls.

From there it was on to a prototype maker in Austin, Tex., then a manufacturer in Taiwan. In between, Barkley made time for a two-night class on starting your own business. Joining the Consumer Electronics Association gave her the opportunity to show the Yo-Yo at the Consumer Electronics Show, tapping into the event's considerable publicity. Designing the Yo-Yo, stocking inventory and setting up a Web site cost Barkley about \$30,000 of her own savings, plus six figures more from a family friend. The payoff could be coming soon. The Earbud Yo-Yo is sold in 34 Fry's Electronics stores, and Barkley is hiring a national sales force. "I'd like to see it go worldwide. Right now, Best Buy is my goal." ■