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THE AGGREGATOR | *Edited by Nikki Waller*

House Under Water: Do You Stay or Walk Away?

When it comes to their mortgages, many Americans are asking themselves whether it's better to stay or walk away.

As the housing market continues to drag, a growing number of homeowners in Arizona, California, Florida, Nevada and Michigan, where home prices have plunged, are considering what's called a "strategic default," walking away from their mortgages because they believe it's in their best financial interests.

A standard mortgage-loan document reads, "I promise to pay" the amount borrowed plus interest. And some say that promise should remain good even if it's no longer convenient. George Brenkert, a professor of business ethics at Georgetown University, says borrowers who can pay—and weren't deceived by the lender about the nature of the loan—have a moral responsibility to keep paying.

Walking away isn't risk-free. A foreclosure stays on a consumer's credit record for seven years and can send a credit score (based on a scale of 300 to 850) plunging by as much as 160 points, according to Fair Isaac, which provides tools for analyzing credit records. A lower credit score means loans are likely to come with much higher interest rates, and credit-card issuers may charge more interest or refuse to issue a card.

In neighborhoods with high concentrations of foreclosures, "it's going to be really difficult to prevent a cascade effect" as one strategic default emboldens others to take that drastic step, says Paola Sapienza, a professor of finance at Northwestern University.

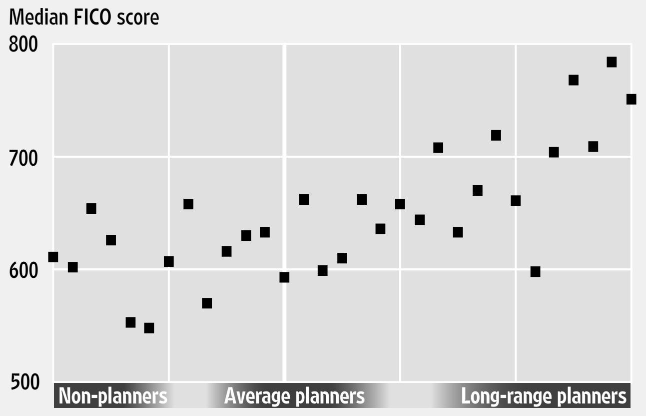
Driving this phenomenon is the rising number of households that are deeply "under water," owing much more than the current value of their homes. First American CoreLogic, a real-estate information company, estimates that 5.3 million U.S. households have mortgage balances at least 20% higher than their homes' value, and 2.2 million of those households are at least 50% under water.

Banks warn they may get tough with strategic defaulters by pursuing legal claims on a borrower's other assets. "We will try to reduce people's payments if they have a hardship," says Thomas Kelly, a spokesman for J.P. Morgan Chase. "But we have a financial responsibility to get people to pay what they owe if they can afford it."

—James R. Hagerty and Nick Timiraos
The Wall Street Journal

Stat of the Week

Planning Pays Off: Planning your finances for the long run may result in higher credit scores, and cheaper loans. For example, someone who makes long-range plans may pay nearly $20,000 less over the course of a 30-year mortgage on a $200,000 home than those who plan less.



Source: Journal of Consumer Research

Deals to Ring in New Year

Dropoffs in regional tourism mean last-minute deals on New Year's travel. Consider these four cities to kick off 2010:

New York: Landing a cheap hotel room won't be easy, but it's an opportune year to try. During Travelocity's Holiday Getaway Sale (through Dec. 31), pay with an American Express card and use code "SAVE100AMEX" at checkout to save $100 on select hotel bookings.

Las Vegas: A memorable New Year's Eve is one of the few sure bets in a gambling city. The Stratosphere, for instance, offers a 10% discount for consumers who book a room for New Year's weekend directly through its Web site.

Boston: First Night, a day of art, theater and musical performances, kicks off at 1 p.m. and runs until midnight, when fireworks light up the sky over Boston Harbor. The Westin Boston Waterfront offers 25% off a two-night stay.

Orlando: Theme parks aren't the obvious choice for ringing in 2010, which means there's plenty of hotel availability. Book during Expedia's winter sale, for instance, and save 30% on rates at the Radisson Resort Orlando.

—Kelli B. Grant
SmartMoney.com

Don't Try This at Home

The U.S. Tax Court earlier this month allowed a man to write off thousands of dollars of damage after he totaled his car while under the influence.

While it's not unusual to deduct property damage, the circumstances of the case—which required a judge to decide if the driver was or was not willfully negligent—set it apart.

It shows that disgruntled taxpayers can challenge the Internal Revenue Service—and win—on some pretty odd cases.

In 2005, the taxpayer, Justin M. Rohrs, bought a 2006 Ford F-350 pickup truck for $40,210. Months later, he went to a gathering at a friend's house. Expecting he would be drinking, he arranged for a ride to and from home. After he returned home, he decided to drive to his parents' house. En route, his truck slid off an embankment and rolled over. He was arrested for driving under the influence and was taken to the hospital.

His insurer turned down a loss claim because of his arrest and DUI citation. Then the IRS turned down his claim for a $33,629 casualty-loss deduction on his tax return. Mr. Rohrs then took his case to Tax Court.

Driving after drinking doesn't amount to willful negligence in itself, the judge said. Instead, he wrote, the level of intoxication and the quality of the driving has to be taken into consideration. In the case of Mr. Rohrs, his blood-alcohol level was at 0.09%, just slightly over California's legal limit of 0.08%.

The judge also applauded Mr. Rohrs for having arranged a ride home from the party.

—Arden Dale
Dow Jones Newswires

The Aggregator features news and commentary from The Wall Street Journal and other publications.
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HEALTH COSTS | *By Jane Zhang*

Benefits in Health Bills

Consumers could see some immediate gains from health-overhaul legislation in Congress. But most benefits would take years to kick in.

The impact of the health bill hangs on how the final version is written, and lawmakers will have to merge the Senate and House bills. Democrats still face fierce Republican opposition, and they don't agree among themselves on controversial issues such as a government-run insurance plan.

Still, here are some likely changes to expect.

More Discounts and Regulation

Beginning next year, Medicare beneficiaries would receive a 50% discount on brand-name drugs when they fall into the coverage gap known as the doughnut hole, according to an analysis of the House and Senate legislation by consulting firm Avalere Health.

Both bills also would eliminate co-payments for Medicare beneficiaries when they receive preventive services, such as cancer screenings. The proposal, which would take effect in 2011, could prompt private insurers to follow suit, says Dan Mendelson, president of Avalere.

In addition, consumers could see tighter insurance regulation. Starting in 2010, health insurers wouldn't be able to impose lifetime limits on coverage or retroactively cancel policies—except in cases of fraud—after patients fall ill, according to the Avalere analysis.

The legislation would affect different groups differently. Many of the 10 million enrollees in Medicare's private insurance plans, for example, could lose some benefits under proposals to cut payments to those plans beginning in 2011. Among the targets: free dental and vision coverage, which aren't covered by traditional Medicare.

A few years later, most consumers would be forced to buy insurance or pay a penalty, and some higher earners or generous plans could be slapped with more taxes. One proposal, for example, would add a 0.9% tax on individuals earning more than $200,000 a year. Young people also could end up paying more for insurance.

Medicaid Expansion

The biggest winners: Some 30 million uninsured Americans that the legislation aims to cover, especially lower-income individuals who aren't yet eligible for Medicaid, the state-federal health insurance program for the poor. But that expansion is at least three years away.

Patients earning 133% of the federal poverty level—$10,830 for an individual in 2009—would be eligible for Medicaid in 2014 under the Senate bill. The House bill, which is more generous, would push it to 2013 and expand Medicaid coverage to those earning 150% of the poverty level.

Under the same timetable, many more people would receive government subsidies to buy insurance. The subsidies for premiums and cost sharing would be doled out based on a sliding scale and stop at people earning four times the federal poverty level.

Beginning in 2013 under the House bill and 2014 under the Senate version, insurers would be barred from denying coverage based on a patient's health status or pre-existing conditions.

Insurance companies, meanwhile, would have to follow new requirements to help consumers contain out-of-pocket costs. The maximum out-of-pocket costs would be $5,000 for an individual under the House bill, and $5,950 under the Senate bill.

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BARRON'S INSIGHT | *By Jacqueline Doherty*

Mosaic Has What It Takes To Foster Further Growth

Demand for fertilizer dropped sharply last year as the global economy tanked. The coming year could see a rebound, as farmers seek to replace nutrients consumed by their crops. Higher demand will lead to rising prices, which could help fatten Mosaic's (MOS) bottom line and its stock.

"We like the pricing outlook for our products," says Lawrence Stranghoener, Mosaic's chief financial officer. "We're on a path to produce very attractive returns for our shareholders, and very good cash flows."

Mosaic shares have been on a wild ride. In 2008, the stock hit a high of $161 in June, only to fall to $22 in November. This year it has recovered, to trade around $60.

If fertilizer prices rebound, Mosaic's earnings could climb to $6 or $7 a share by 2012, which could propel the shares to $80 or higher, says Jared Leon, a partner at Grisanti Brown & Partners, which purchased the stock last summer and still holds it.

In the fiscal year ended May 2008, Mosaic earned $2.8 billion from operations. In fiscal '09, profit fell, to $2.4 billion, on sales of $10.3 billion. Operating profit is expected to slip even further this year, to $1.45 billion. It will take higher commodity prices to push income up again. Analysts expect prices to rise in fiscal 2011.

Plymouth, Minn.-based Mosaic was formed in 2004 through the merger of Cargill Crop Nutrition and IMC Global. Cargill still owns 64% of Mosaic's shares. Mosaic generates about 49% of sales from potash and 51% from phosphates. That mix will shift in the next decade as potash operations expand.

The supply/demand outlook is better for potash than phosphates. Phosphate prices rose above $1,000 per metric ton in 2008 before crashing to around $300 as farmers bought less. The key risk to phosphate prices is greater competition.

Mosaic (MOS)
Daily share price
Thursday close: $60.61

Source: WSJ Market Data Group

Saudi Arabia is building a phosphate plant, and could become the industry's low-cost provider.

Potash prices soared from the $200s in 2006 and 2007 to top $900 in 2008. They later fell to $500 per metric ton. Uncertainty persists because China is negotiating a large potash contract that is likely to guide new pricing. Still, there is much less supply of potash than phosphates, and fewer competitors.

In general, farmers can put off fertilizing only for a year or two before their soil is depleted and yields decline. As demand improves and prices rise, Mosaic could become a fertile investment.

For more stories, see **barrons.com**.

Workers Get Lower Mileage Rate in 2010

TOM HERMAN'S TAX TIP

Millions of workers who use their cars for work will get a smaller tax deduction next year.

Under tax rules, they can choose to deduct their actual expenses, or they can use the Internal Revenue Service's optional standard mileage rate. Using the IRS rate generally is simpler and saves recordkeeping hassles.

Starting Jan. 1, the IRS standard optional rate for using a car for business will be 50 cents a mile. For 2009, the mileage rate was 55 cents a mile. This rate applies to cars as well as vans, pickup trucks and panel trucks.

The IRS also lowered its standard optional mileage rate for medical and moving purposes. This rate for 2010 will be 16.5 cents a mile, down from 24 cents in 2009.

These lower mileage rates for next year reflect "generally lower transportation costs compared to a year ago," the IRS says. The standard mileage rate for business use of a vehicle is based on "an annual study of the fixed and variable costs of operating an automobile." The rate for medical and moving purposes is based on "the variable costs as determined by the same study," the IRS says. The study was done by an independent contractor.

If you use your vehicle for charitable purposes, the rate won't change. It remains at 14 cents a mile. The reason: This rate is set by statute. The IRS has nothing to say about it.

* * *

If you want to get a head start on your 2009 taxes, here's a free publication that may help answer many questions: IRS Publication 17. The IRS recently issued an updated version, which is available on its Web site (**www.irs.gov**).

Also, consider bouncing a question—at no charge—off the experts at TurboTax, the Intuit unit that makes tax software.

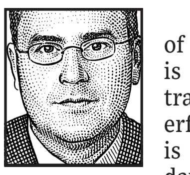
TurboTax is offering to give "a free answer to a personal tax question" through Jan. 31. Send your question online to a special site (**freetaxquestion.com**). TurboTax says taxpayers will receive a call back at a time they request from a tax specialist at TurboTax.

"There's a lot of money on the table this year for taxpayers," says Bob Meighan, a TurboTax vice president. "The economic stimulus package helps about 95% of U.S. taxpayers, whether they're first-time home buyers, college students or cash-for-clunkers recipients."

Send your questions to us at
askdowjones.sunday03@wsj.com
and include your name, address and telephone number. Questions may be edited; we regret that we cannot answer every letter.

GETTING GOING | *By Dave Kansas*

Dave's Money 'Must-Dos' for 2010



The turning of the calendar is both arbitrary and powerful. Each day is just another day, but when the year resets we feel like the slate is cleaned and we can begin anew.

That's especially true for our finances. For many of us, the holiday season may leave us a bit stretched, and not just at the waistline.

Here are five ideas to help you get a good start for 2010—not just a new year, but the start of a new decade.

1 Set up a savings plan. Ever since the financial tsunami swept all before it in September 2008, many people have saved furiously. That's a good thing, but there's a temptation to lose that discipline once the storm clouds start to break.

While the economy remains fragile and many people are still out of work, signs of recovery are becoming more and more apparent. Among your New Year's resolutions include a savings goal that is a function of your regular income, even if it's not a large amount of money. Maintaining the discipline is crucial. The amount of savings can grow over time.

Chris Gash

2 Build a rainy-day fund. Advice on how to save for retirement or your kids' college is plentiful. Less plentiful is guidance on what kind of rainy-day fund you should have.

A rainy-day fund, which your savings plan can feed, should cover about six months of income. It's a form of personal insurance, valuable in these rapidly changing times.

This fund should be kept in safe and easy-to-tap assets. Laddering certificates of deposit out six months is one way.

That means buying CDs of one month, two months, etc. to six months. As each CD matures you buy another six-month CD to keep the ladder in place.

3 Migrate to a debit card or to plastic that must be paid each month. Cutting up credit cards makes a lot of sense and eliminating all credit-card debt makes even more sense. The interest rates associated with credit-card debt can easily overwhelm the returns you can get elsewhere.

But the world is moving away from cash at a rapid clip. The notion of having no plastic is barely feasible. Try buying a plane ticket with cash and see what that sparks in the government computers.

So what kind of card to have? A debit card acts just like cash, which makes it the best option. You can spend only what you have.

Second best are charge cards that require payment in full each month. Ever since I paid off my last credit-card debt in 1996, I have only used a charge card or a debit card. It gets tough, especially around big events such as Christmas. But it's nice to not have a tempting and expensive option in the wallet.

4 Rebalance your investments. Last year, rebalancing meant adding to stock exposure after a year of steep stock losses. That notion felt mildly crazy at the time, but it proved wise.

That's because stocks rallied from the March lows and put in a remarkably strong year. Now, most of us are probably too heavy on the stock side of the equation. Moving some of the money into bonds or even cash to regain balance would be prudent.

5 Plan to reward yourself. New Year's resolutions usually don't stick and a big reason is that it's all like eating sawdust. Go on a diet, save money, don't spend. We start the year like ascetic monks and by February we discover that the monastic life isn't for us.

Therefore, it's important to have one resolution that is fun. A little sugar with the vinegar.

For myself, it means saving up money for a special family trip later this year. This saving is in addition to the savings plan established in the first resolution.

If we keep the first four resolutions, we'll reward ourselves for getting the new decade off to a good financial start.

Dave Kansas is European markets editor for The Journal in London.
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Pick a Stock

It's time for Sunday Journal's 38th Investment Dartboard contest.

Choose a stock you think will do well over the next six months. We'll select six of the reader entries to compete against the portfolio chosen by Sunday Journal staffers tossing darts at stock listings.

The reader whose stock performs best between Dec. 31 and June 30 will win a Sunday Journal tote bag and, more important, lifetime bragging rights. Enter by Dec. 31.

Choose one stock from the Nasdaq market or the New York Stock Exchange. Email your pick to **sundaydartboard@wsj.com.** Include your name, address, daytime phone number, and the name of the newspaper where you read Sunday Journal.

Investment professionals can't compete. Neither can previous contestants. You must be willing to be interviewed.

—Anna Prior