

## ***FINANCIAL PLANNING- PREPARE NOW FOR TAX TIME!***



### **Some Basics-Maintain Copies of Your Records & Documentation and Tax Returns**

1. **Get Organized**-Segregate personal and business records and keep your records in a safe location.  
Computerized bookkeeping software, spreadsheets, folders, and envelopes will all help organize your records.
2. **Set up a Record Keeping System**-Keep records and documentation of income, expenses, and important tax information documents you receive from the companies and people you do business with. Canceled checks, sales slips, invoices, logs, and receipts are excellent documentation in case you are ever audited.
3. **Select a Tax Professional**-Choose a tax preparer who is experienced, knowledgeable, reputable, and up-to-date on current tax laws. If using a team of professionals, they should coordinate and communicate with each other.
4. **Be Proactive In Your Tax Planning**-Year round tax planning is essential to minimizing your taxes. At tax time, it may be too late to make any adjustments or implement any tax saving strategies.

### **Retirement Plans, Pension Plans, & Annuities-Consider the Different Types of Retirement Plans Available**

5. **Pay Yourself First**-Enroll in your employers' retirement plan or start your own plan as soon as possible.
6. **Maximize Contributions**-Make it priority #1 to contribute the maximum amount allowed each and every year, both for you and, if applicable, your spouse and, don't forget to claim the Retirement Savings Contribution Credit.
7. **Never Take A Premature Distribution**-You will incur your regular tax, an additional 10% penalty tax (some exceptions apply) and lose the momentum of compounding your money.
8. **At Retirement**-Choose a distribution or rollover strategy that will allow you to minimize your taxable income and yet meet your financial needs. If doing a rollover, a direct rollover is usually recommended. Also, consider your beneficiary designations carefully as different tax consequences may result from your selections.

### **Investing-Start Now, Set Goals, Diversify, Think Long-Term, Be Consistent, & Monitor Performance**

9. **Keep Detailed Records**- Know each investment's cost basis, dates of purchase, and shares (lots) purchased.
10. **Think Long-Term**-Long term capital gains are taxed at more favorable tax rates than short-term capital gains.
11. **Consider The Tax Consequences of Your Investments**-If you're in a high tax-bracket you may want to invest in tax-exempt and or growth investments.
12. **Worthless Investments**-These can be deducted as a short-term capital loss in the year they become worthless.

13. **Unused Capital Losses**-Carryover and deduct against future years capital gains.

**Charity Contributions-Don't forget to get receipts and appraisals when necessary, & keep records of all contributions**

14. **Donate (Don't Sell) Appreciated Assets**- You will avoid capital gain taxation and at the same time get to deduct the assets' fair market value.
15. **Sell Loss Assets-Then donate the cash**. Depending on the asset, you may be able to deduct the loss and you can still deduct the cash donated.
16. **Gift Giving Programs**-Can help to lower both income and estate taxes.
17. **Unused Charity Contributions**-Carryover and deduct in future years, depending on your circumstances.

**Your Personal Residence**

18. **Tax-Free Money**-Be sure you meet the requirements and or exceptions for your gain to be wholly tax-free when selling your personal residence. If applicable, do not forget to deduct moving and job searching expenses.
19. **Home Improvements**-Keep records of all major home improvements. They will increase your cost basis and lower any potential taxable gain when you sell. Also, don't forget to deduct mortgage and home equity loan interest, real estate taxes, and points if applicable.

**General Items To Consider**

20. **Filing Status**-Be sure to use the correct and most advantageous filing status for your particular situation.
21. **Annually Review Your Withholding**-Be sure the correct amount of taxes are withheld from your pay.
22. **File Quarterly Estimated Taxes**-If you have income where no taxes are being withheld, you may need to pay your taxes during the year. Due Dates are the 15<sup>th</sup> of April, June, September, and January.
23. **Additional Standard Deduction**-For taxpayers who are age 65 or older, and or blind.

**Don't Overlook These Strategies & Deductions**

24. **Defer Taxable Income and Accelerate Deductible Expenses**-By using the installment sales method, like-kind exchanges, and accelerated depreciation methods. Also, set up a deferred compensation agreement with your employer.
25. **Time Income and Deductions**-Shift income into years you will be in a lower tax bracket. Shift deductions into the years you will be in a higher tax bracket.
26. **Shift Income To Lower Tax Bracket Family Members**-Employ them in a family business or invest under their name. Watch out for the "kiddie tax" rules, though. Structure your child's portfolio accordingly.
27. **Passive Activities**-Avoid the passive activity loss disallowance rules by increasing your participation in these activities. Don't forget to deduct unused losses and credits upon disposal of a passive activity.
27. **Hobbies**-Turn a hobby into a bona fide business to deduct losses incurred in the activity.
28. **Home Office**-Perform business functions from your home and possibly deduct certain home expenses.

29. **Starting A New Business**-Seek professional guidance to assure you make the best choices in starting and running your new business venture.
30. **Worthless Personal Loans & Investments**-To family or friends can be deducted as a short-term capital loss.
31. **Convert Nondeductible Interest into Deductible Interest**-Using a home equity loan.
32. **Car Mileage**-Maintain mileage logs for medical, charitable, and business use of your vehicle.
33. **Mortgage Points**-When refinancing your mortgage, deduct any un-amortized points remaining on the old loan.
34. **Employee Un-Reimbursed Business Expenses**-may be deducted if you itemize your deductions.
35. **Know The Consequences of A Transaction Before You Make It**-Once made, it may be difficult and costly to undo any unintended consequences.
36. **Education Tax Benefits**-Education IRA's, Hope & Lifetime Learning Tax Credits, Prepaid and 529 College Saving Plans, Student Loan Interest, Educator expenses, and employer paid assistance all offer ways to defer and lower your taxes.
37. **Alternative Minimum Tax**-It may make sense to defer deductions that cause the tax to kick in (state & local taxes, property taxes, medical expenses, certain mortgage interest, 2% misc. itemized deductions), postpone exercising incentive stock options and capital gains, avoid tax-exempt interest, etc, be careful with the number of exemptions you claim, to help to avoid this tax.
38. **Employer Tax-Free Fringe Benefits**- Take advantage tax-free fringe benefit programs offered by your employer.
39. **Rental Real Estate**-“Active participation” and “material participation” will help you deduct losses against your other income.
40. **Don't Forget These Deductions**-Long term care insurance premiums, margin interest, investment fees, tax prep fees, foreign taxes paid, casualty and theft losses, and gambling losses are all other potential deductions.
41. **Armed Forces Personnel**-Tax free benefits, additional extensions for filing and paying taxes, tax forgiveness of tax liabilities are some possible special benefits for members of the armed forces.
42. **Change of Address or Legal Name**-Notify the IRS of an address or name change on Form #8822.
43. **Don't Overlook Various Tax Credits**-Earned Income Credit, Child Tax Credit, Savers Credit, Credit for the Elderly or Disabled, Credit for Child and Dependent Care Expenses, Adoption Credit, and the Foreign Tax Credit.

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