

Tax Planning Opportunities?

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Any one may so arrange his affairs that his taxes shall be as low as possible; he is not bound to choose that pattern which will best pay the Treasury; there is not even a patriotic duty to increase one's taxes.

Judge Learned Hand, *Helvering v. Gregory*, 69 F.2d 809, 810-11 (2d Cir. 1934).

Even if you've already filed your 2013 tax return, and especially if you owed more taxes than you were expecting, you may want to dig deeper in an effort to make sure that, for 2014 and onward, your "taxes shall be as low as possible." As you meet with your CPA, either in the spring as you prepare to file your taxes, or in the fall when you do year-end tax planning, here are questions you may want to ask your CPA:

- 1. How will a major life event affect my taxes?** Any marriages, separations, divorces, death, or births can impact taxes and filing status. Especially in the case of a death in the family, handling an inheritance can be particularly rife with problems -- or opportunities -- for managing the tax situation.
- 2. What will my tax bracket be for this year, and can you help me estimate my income?** Recent changes in the tax law may be only one of several reasons why your tax bracket can change. Added to the list might be changes in salary, bonuses, dividends and interest income, charitable contributions, and deductions and credits which may or may not apply to you. Being able to accurately project one's tax bracket presents an opportunity for managing gains and losses and retirement plan contributions, to name just two examples of responses you might make.
- 3. Do I have any remaining tax loss carry-forwards for this year?** It's possible that you offset higher-than-expected investment income in 2013 with loss carry-forwards and may have depleted them.
- 4. Should I consider a Roth IRA conversion?** Especially in a year when your income maybe lower than normal, it is possible your CPA will recommend that you convert existing traditional IRAs and take into income enough so that your current bracket is "filled up."
- 5. Should I change my retirement plan contributions?** Even though contribution limits for most types of retirement plans haven't changed, some of the phase-out limits for making contributions have. Check with your CPA about how this might affect you specifically.
- 6. Am I subject to the Medicare Surtax of 3.8% (as part of the Affordable Care Act) on net investment income?** Even though you may not "feel" wealthy, with two persons in a household working, it may be possible you fall into the over \$250,000 income category for purposes of this surtax. Your CPA may have strategies for minimizing this tax.
- 7. What strategies might I used to reduce my taxes going forward?** As with the ACA (Affordable Care Act) any recent tax law changes have significantly changed the tax landscape for many people. So ask you CPA what strategies might be available to help reduce your taxes in this and future years.
- 8. Should I change my withholding for this tax year?** Most CPAs and financial advisors would agree that it is better to evenly match withholding with tax liability. Do you really want the Treasury department to have money that is rightfully yours, which you could be investing or using to pay down debt?
- 9. What could my financial advisor be doing to help me in my tax situation?** In most cases, your financial advisor will already have a relationship with your tax advisor. But it is always good for the three parties, the client, the CPA, and the CFP®, to be on the same page regarding your tax situation and any planning opportunities that might exist.

Planning and looking toward your personal tax horizon may mean a smaller check which you need to write to the IRS and Department of Revenue... and more money in your pocket.

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Katherine Newton, a 30-year veteran of the financial services industry and Certified Financial Planner™, crafts protectorates for her clients' wealth so they have peace of mind to pursue what's most important in their lives.

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