



PRESTIGE WEALTH MANAGEMENT GROUP  
*Retirement Planning & Distribution Specialists*

## Special Report

# Six Tax Strategies That Could Save You Money

Despite all the news we have heard about tax simplification, the current tax code still remains a complex combination of regulations, statutes, rulings and forms that are written primarily in highly technical language and cover thousands of pages.

Each year, several of the sections of the tax code that calculate for certain information that taxpayers report get adjusted. Rule changes can often be sorted by eligibility, and the amount of exemptions, deductions and tax credits available to taxpayers can be phased in and out by formulas.

Most taxpayers are best served by using a qualified tax professional to either prepare or review their tax returns. A financial planner can help by providing tax planning strategies that often might be overlooked.

Avoiding the 6 mistakes cited in this article can potentially save taxpayers money.

### 1. Ignoring Eligible Tax Deductions

Taxpayers are eligible to deduct certain charitable contributions. Unfortunately, many people do not plan well and miss out on these deductions. While you may not think that the items you give to charity have much value, you can research how much these items actually sell for to determine what you can claim. Keep in mind that the tax law says that taxpayers cannot deduct anything unless the donations are in good condition or better, and receipts may be necessary as back-up or proof.

Another trap for taxpayers is not keeping track of out-of-pocket expenses that are associated with a charity. For example, the cost of stamps that you buy for a fundraiser, the cost of food that you prepared for a donated meal or the cost of supplies that you donated to a charitable organization can be fully deducted. In order to deduct these expenses from your tax return, you need to keep track of them and then total those deductions.

We can determine whether or not you can deduct home office deductions and/or potential vehicle deductions if you own your own business or work out of your own home.

A good strategy to use is to look at your annual checking account transaction register, create a list of potential overloaded deduction items from the previous year and talk with us. Make sure you carefully track the deductions you wish to use. This will help when filing tax forms.

### 2. Not Maximizing Your Retirement Plan Contributions

Whether it is a 401(k) plan, SEP plan or individual IRA, all taxpayers should check the advantages of using any tax deferred saving vehicles available to them for tax reduction strategies.

Remember, not all retirement contributions are deductible. For example, you may not get any tax break at all for a contribution to a Roth IRA, but your investment can accumulate tax-free. Also, your earning and contribution withdrawals can be accessed tax free if you've

had the account for at least five years and the distribution is made after you've reached age 59½. This can be a very strong strategy that should be considered by all taxpayers.

### **3. Failure to Accurately Track Year-to-Year Carry-over Items**

All taxpayers should check to see if they have any capital losses that could possibly offset current capital gains. Excess amounts of unused capital losses can be carried over to the next year's return. For example, if you have net capital losses in a prior year in excess of a \$3,000 annual deduction limit, they can be carried over to your next year's income tax return. The same thing goes for any charitable contributions and unused business credits that you can't deduct in a previous year because of limits on such write-offs. Also remember, if you paid state and local taxes when you filed your 2009 state tax return in 2010, you can include that amount in the 2010 state and local tax payments. While you still need to monitor AMT considerations, don't let these carry-overs get lost in the paperwork. They can potentially save you money.

### **4. Not Adjusting Withholdings When You Change Jobs**

When switching to a new job, you have the opportunity to review your overall tax withholding strategy, particularly if your income will change. Talking with us allows you to make an intelligent decision about adjusting your federal income tax withholdings as well as your state withholdings. By revisiting your choices, you can avoid any unpleasant surprises at tax time.

### **5. Double-check All of Your Math and Data Entries**

Many times even the best of us can transpose numbers when handling numerous calculations. The IRS even

encourages you to check to make sure you have a full and legible Social Security number for everyone on your return because if the Social Security numbers for your dependants are incorrect, you may get challenged.

### **6. Don't Procrastinate**

Many taxpayers let their tax preparation hang over their heads until the very last moment. Why wait for crunch time to prepare and review your information? Plan several months before the end of the year to visit with us to discuss your situation and review your record-keeping. If your tax records are systematically organized, and all of your receipts are coordinated, you will save a lot of time when it comes to preparing and filing your return. The IRS suggests in their literature that you review your income, deductions and tax items from the prior year's return as a potential way to make sure you have not missed anything for this year's return.

In conclusion, if you spend a little time up front preparing and thinking about tax planning, you can best make sure that you maximize your opportunities and minimize your tax bill.

As mentioned throughout this article, we can help with this process. Like with many other things, knowledge, strong organization and proper planning can help you comply with the tax laws and at the same time take advantage of tax saving options.

**As part of our Personal CFO Services, we offer the ability to review and coordinate not only your investment strategies, but how these strategies affect and interact with your tax and estate planning needs and concerns.**

This article is for informational purposes only. This information is not intended to substitute for specific individualized tax, legal or investment planning advice as individual situations will vary. For specific advice about your situation, please consult with a tax professional or financial professional. MDP, Inc. This content was prepared for advisor's use only. The articles and opinions expressed in this document were gathered from a variety of sources, but are reviewed by PWMG prior to its dissemination. All sources are believed to be reliable but do not constitute specific investment advice. In all cases, please contact your investment professional before making any investment choices. Any articles written by PWMG will include a 'by line' indicating the author.