



888.320.9993  
www.CompassPlanning.com

February 26, 2013 | Volume 13, #1

It's tax time! The sooner you file, the sooner you'll get your refund (if one is due). And, the earlier, the better since, as the deadline nears, volume soars and refunds take longer.

Here are some tips to get you started on your way. Read on and remember we're here to help you stay *On Course!*

-Jennifer Lane, CFP

## In This Issue

[Tax Tips](#)

[Question & Answer](#)

[What's New](#)

[Monthly Tip](#)

## Your Taxes - Filing Tips

**Early in the filing season is the best time to file your returns. If you are due a refund, you'll get it faster now than in April. With the online help and free filing forms currently available, preparing and filing your taxes is easier than ever.**

### Get organized

- Grab last year's (2011) return to use as a guideline for what forms you should get in the mail and what info you need to gather. Also grab your pay stubs, especially the last one you received in 2012.
- Collect all your documents in one place so you can focus on completing the return when you sit down. If you're going to e-file, get your bank info as well.
- Do you have special issues
  - Can you claim your parents as dependents?
  - If you are divorced, which parent is claiming the kids as dependents?
  - Are you going to itemize? If you're not sure, look for the 2012 Standard Deduction Tables in your return booklet to see if your expenses are greater than the standard deduction, which varies based on filing status.
  - Do you need to amend past returns?
- Decide whether you need help. I recommend doing your return yourself to begin with so you know what you made and what the tax implications are. Once you've done that, then decide if you need the help of a CPA or enrolled agent for more complicated returns.

### What forms to look for

- Check your mail carefully and look for "TAX DOCUMENT ENCLOSED" printed on envelopes to ensure you don't toss any of your forms.
- W-2 will report your income and taxes withheld.
- 1099 reports interest and other miscellaneous income.
- 1099-K is for people who accepted credit cards for online selling.
- 1099-HC is for Massachusetts residents and confirms coverage in a health insurance program.
- 5498 reports on any IRA contributions and activity.
- For those who are self-employed, gather supporting documents on your income and expenses.

### IRA Contributions

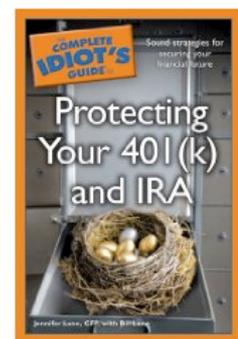
- You have only one chance every year to contribute to an IRA. Don't miss it! Contributions must be in your account by April 15.
- The maximum contribution you can make for 2012 is \$5,000, with a makeup contribution of an additional \$1,000 for those 50 and older. You must have at least \$5,000/\$6,000 in income to make the full contribution.
- If you are eligible for a Roth IRA, choose that option.



Jennifer's Hint

Don't forget to file IRS form 8606 when you make nondeductible contributions to your IRA. When you retire, you -- or your heirs -- will be able to prove how much of your IRA balance is the money that you contributed after-tax -- and is available to withdraw without additional tax -- and how much is investment growth and is taxable income on withdrawal.

Get more tips in Jennifer's book



(click here for link )

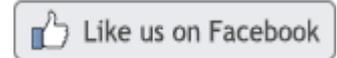
### Helpful Websites

[IRS.gov](#)

[FreeFile.IRS.gov](#)

## Filing

- If you're going to e-file, order a PIN number on the [IRS website](#).
- The IRS tweets!! You can get great information by following @YourVoiceAtIRS and @IRSnews.
- You can file your federal tax return for free at [www.freefile.irs.gov](http://www.freefile.irs.gov) if your adjusted gross income (AGI - line 37 on the 1040 form) is \$57,000 or less.
- Anyone can use the fillable forms on the IRS website.



## Q&A

**Q:** Would it be better to put money into a Roth IRA or to pay down my mortgage sooner? I have eight years left on the mortgage, and I'm planning to retire next year.

-- **Peter, Medford**

**A:** Peter, although I like the idea of paying down the mortgage, a Roth IRA is a use-it-or-lose-it opportunity. I would suggest fully funding the Roth IRA (by April 15!) and then using any excess against the mortgage. Remember that the Roth gives you tax-free earnings with the added bonus of no required withdrawal at age 70 1/2 as with other IRAs.

## What's New

- Looking for other great tax tips? Watch Jennifer on The Morning Show Tuesday mornings NECN in the 9 o'clock hour for Tax Tip Tuesday. And follow NECN on Twitter: @MorningShow.
- Jennifer's Compass. Jennifer recently answered questions on NECN about financial help for family members. Click [here](#) to watch the segment on her blog.
- We now have a Facebook page. Visit [www.facebook.com/AskJennifer](http://www.facebook.com/AskJennifer) and like us!
- Jennifer appears on NECN every other Monday morning at 9:30 am in addition to her Tuesday 6:30 pm appearance.

Compass Planning Associates helps families, individuals, and small-business clients achieve financial security, knowledge, and control over their money. Our **fee-only, client-centered approach** provides education and guidance for achieving financial goals and dreams.

*All contents of this newsletter Copyright 2013 Compass Planning*

