

On Course | February 28, 2023 | Volume 23, #2

Welcome. We at Compass Planning continue to appreciate your support. Thank you.

We're now in the middle of the 2022 tax season. You should have received all the documentation from your various financial, federal, and state institutions. This issue will give you ideas that we hope go beyond the basic income and expenses information, including how you can make your 2023 tax year better. Take a look to see if you can tweak what you're doing.

If you missed our series on retirement, you can still access the issues. For Retirement, Part 1 - Retirement Savings, click [here](#). For Retirement, Part 2 - Social Security, click [here](#). For Retirement, Part 3 - The Retirement Paycheck, click [here](#).

Whether you're retired, about to retire, or still working, we have some ideas. If you would like assistance with your income tax planning, we are here to help you stay *On Course!*



Jennifer Lane, CFP

Smart Tax Tips for Now and Next Year

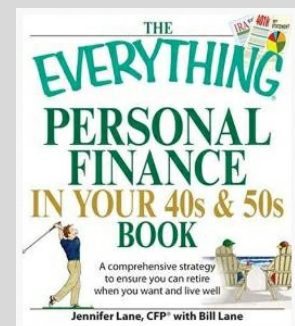
Upgraded IRS.gov website

- The IRS has made their website much more usable. You can pay taxes, check on your refund, and, if you're eligible, free file at www.irs.gov.
- You can pay your state taxes online, too. A Google search for your state should get you there. Be sure the site has the ".gov" suffix and "https" in the URL address.



The laws change every year; be sure to check the [IRS website](#) for updates. You're responsible for the information on the tax return you sign. Read it and ask questions if you don't understand something.

Get more tips in Jennifer's book



Buy Now

Estimated taxes and safe harbor

- If you owed taxes this year or if you expect a bigger bill next year and are making estimated tax payments, save time by increasing your tax withholding on your paycheck, Social Security, pension, or required minimum distribution (RMD) instead of making quarterly estimated payments.
- Of course, if you'd rather make the estimated payments, make them more securely online at <https://www.irs.gov> instead of mailing a check.
- Your tax software or your tax preparer recommends estimated taxes in order to reduce the chance of owing for an under-withholding penalty. If your income varies from year-to-year, it's worth becoming familiar with the safe harbor rule.
- A post from H&R Block® spells it out pretty well. Click [here](#) to read it.
- If you know you'll owe taxes next year and you're withholding enough to meet the safe harbor amount, earn the interest yourself by keeping your money in savings until the tax bill comes next year.

Charitable giving

- The current high standard deduction (and cap on deducting state, property, and local taxes) is keeping many from being able to itemize their deductions, limiting the tax benefit of charitable gifts.
- If you're over age 70 ½, you can write a check from your IRA account and mail to the charity or have a check mailed directly to the charity. The withdrawal doesn't count towards your adjusted gross income (AGI) so it's not taxable and doesn't add income that can be counted towards your AGI for Medicare IRMAA (Income-Related Monthly Adjusted Amount).
- If you're under age 70 ½ and filing a standard deduction, consider using a donor-advised fund (DAF) to boost the tax benefit of your charitable gifts.
- A transfer to a DAF is a permanent transfer to a charity, so it's deductible as a charitable gift.
- Transferring appreciated securities in-kind to the DAF counts not only as a charitable contribution but also lets you avoid realizing capital gain income on selling the security.
- We most often see accounts at [Schwab Charitable](#) or [Fidelity Charitable](#), and we've recently started seeing accounts at [Charityvest](#).
- Of course, DAFs have rules, and the IRS has fine print and limitations. This [article](#) from Nerdwallet does a nice job of explaining the details.

Losses

- It's been a long time since we've had losses in our individual positions. It's a good thing to harvest tax losses.
- You can sell a fund that has a loss and replace it with something substantially different.
- This works best with bond funds. You can sell a bond mutual fund, take the tax loss, then replace it with a treasury bond, maturing in a year. That way you have a loss on your taxes that will carry forward to count against capital gains, providing a savings on taxes.

Owing taxes

- If you owe taxes and it's an ongoing issue -- not a one-time event -- you'll want to adjust your paycheck withholding or your RMD withholding going forward.
- Reminder to check withholding when you experience life changes as well, e.g., marriage, children, divorce, and death.
- Remember that we're part-way through the year so make adjustments that will work for the rest of 2023 and then readjust in January 2024.
- If you feel you could gather the funds for the taxes between now and

Helpful Websites

[IRS.gov](#)

[IRS - 401\(k\)/403\(b\) Limit Increases](#)

[IRS - Buying I Bonds](#)

[IRS - Donor-Advised Fund](#)

[Social Security - IRMAA](#)

- If you feel you could gather the funds for the taxes between now and October, you could file an extension, pay what you can now, and pay the rest in October. The IRS will charge a penalty and interest.
- If you don't have the funds, look for a reasonable way to borrow the funds rather than owing the IRS because its penalties and interest add up fast.

Large refunds

- If you're lucky enough to get a big refund, file ASAP. With the amount of identity theft around, someone could file with your info ahead of you and take your refund. It can take eight to nine months to get it back!
- With the high interest rates and for future tax years, you could do a split direct deposit with your expense amount going into the checking account and the extra going into a savings account. You keep your extra withholding and make some extra money! If you go this route, remember to adjust your withholding.
- You can also buy an I Bond with your tax refund in \$50 increments up to \$5,000. Note that these will be paper I Bonds, strangely enough!

Jennifer In The Media

Below are links to Jennifer's frequent contributions to financial planning articles.

- NBC Boston turned to Jennifer for advice and tips on what to do if you win big in the lottery. Click [here](#) to watch or read the segment.
 - Jennifer contributed to a WBUR Radio Boston segment, *How to Look Before You Leap into the "Great Resignation."* Click [here](#) to listen.
 - NBC10 consumer investigative reporter Leslie Gaydos interviewed Jennifer for savings tips. For a great video, *How to Save \$1,000 in 5 Months*, click [here](#). For the written article, click [here](#).
 - Jennifer contributed to a timely article, *How to seek forbearance on your mortgage*, for The Boston Globe. [Read article.](#)
 - If you're interested in dividend funds, Jennifer contributed to The New York Times article, *Dividend Funds Can Add Income, and Risk, to Your Portfolio.* [Read article.](#)
 - Jennifer contributed to a BankRate article, *Should I combine my mortgage and student loans?* [Read article.](#)
 - Need help with your 401(k) during the pandemic? Jennifer contributed to a Boston Globe article, *Five tips for managing a 401(k) during the pandemic's turbulence.* [Read article.](#)
 - Jennifer contributed to the Bottom Line Inc article *Prepare your Finances for a Possible Recession.* [Read article.](#)
 - Jennifer contributed to The Wall Street Journal article *If Saving During a Pandemic Is Hard, Here's How to Stay Motivated.* [Read article.](#)
 - The New York Times featured Jennifer in an article titled, *Balanced Funds Don't Inspire Fear or Greed. That's Why They Are So Useful.* [Read article.](#)
 - With a contrarian view, Jennifer contributed to an article, *People are enraged by the idea that you should have twice your salary saved by the time you're 35!* published recently by Business Insider. [Read article.](#)
 - Moving in together? Check this article from Business Insider, *Five questions you and your partner should answer before taking the biggest step in your relationship.* [Read article.](#)
 - Insider asked Jennifer to contribute to an article on old fashioned ways to manage your money, *Six money-saving tips your grandma used that are way more effective than any budgeting app.* [Read article.](#)
 - Jennifer contributed to an article on Business Insider, *This is the best way to do your taxes online - according to experts.* [Read article.](#)
 - CNN Money's Money Moves featured Jennifer in an article on how to strike the right balance between retiring early and saving enough. [Read article.](#)
 - Jennifer contributed to a CNN Money article *When is the Right Time to See a Financial Advisor?* [Read article.](#)
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Compass Planning News

- Compass Planning is a sponsor of YW Boston's 2022 two-part [Elevating Lives Series](#).
- Compass Planning continues to meet with clients as well as those interested in learning more about the firm via phone and web-based video conferencing. Email info@compassplanning.com to learn more.
- Compass Planning has become a supporter of [The Center for Financial Planning](#) at the sustainer level. The CFP Board created the center to achieve a more diverse and sustainable financial planning profession so that every American has access to competent and ethical financial planning advice.

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.

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