



COMPASS
PLANNING ASSOCIATES

Fee-Only Financial and Investment Planning

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On Course

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Welcome! It's tax time again. January is the month when you should receive most of the year-end reports from your financial institutions. This month, we're giving you tips to stay ahead of the game.

If you have any tax or retirement planning questions, remember we're here to help you stay *On Course*!

-Jennifer Lane, CFP

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Preparing for Your Taxes

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 (2013) 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 2014.
- 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 might be.
- 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. If you don't live in Massachusetts and



Jennifer's Hint

The alternative minimum tax (AMT) law does not index correctly for inflation so now many unsuspecting middle-class taxpayers, who by today's standards are far from lavishly paid, are paying it. Check page two of your 1040 tax form to see if you are paying AMT. Common deductions and exemptions can trigger the AMT, e.g., the standard deduction, deductions for state and local taxes paid, or interest deduction on a second mortgage. Unfortunately, planning is difficult because these deductions don't necessarily trigger the tax.

Get more tips in Jennifer's book

purchased health coverage through the Affordable Care Act marketplace, you'll get a form 1095-A.

- 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 2014 is \$5,500, with a makeup contribution of an additional \$1,000 for those 50 and older. You must have at least \$5,500/\$6,500 in income to make the full contribution.
- If you are eligible for a Roth IRA, choose that option.
- If you are self-employed, look into creating a SEP-IRA, which will allow you put up to 25 percent of your income into a tax-deductible account. As an added bonus, you have until you file your return with extensions to make your deposit.

Filing

- E-file if you can. You can [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 if your adjusted gross income (AGI - line 37 on the 1040 form) is under \$58,000.
- Anyone can use the fillable forms on the IRS website.

Q&A

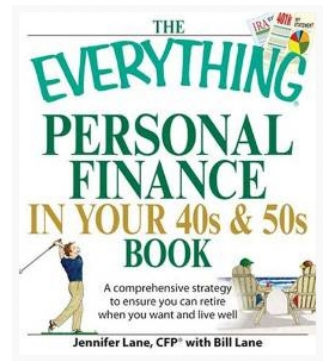
Q: I turn 70 in the spring. Do I need to take my first IRA withdrawal this year or can I wait until next year?

-- Larry, Uxbridge

A: Larry, you have until April 1 of the year following the year you turn 70 1/2 to make your first withdrawal. So, by the rules, you have until April 1, 2016. But if you wait until then, you will have to take 2 withdrawals in 2016. IRA withdrawals are taxable so you may want to take the first withdrawal this year once you're 70 1/2 to minimize the amount of taxes you owe in 2016.

What's New

- Financial Planning's recent article, *When to Use Stop-Loss Strategies*, includes comments from Jennifer. Click [here](#) to read the full article (registration required).
- The CFP Experts' Corner has featured Jennifer's article, *Keeping your Data Safe Online*. Click [here](#) to read the full article.
- Jennifer recently answered NECN viewer questions about **student financial aid**. Click [here](#) to watch the segment on her blog.
- Follow us on Facebook! Visit 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.



([click here for link](#))

Helpful Websites

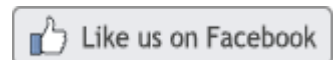
[IRS.gov](http://www.irs.gov)

[IRS - Affordable Care Act](#)

[IRS Withholding Calculator](#)

FreeFile.IRS.gov

Bankrate.com



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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