

## Tax Strategies for Your Future

Paying taxes may be unavoidable, but paying top dollar may not. By aligning your tax strategies with your financial strategies, the money you do not pay to the government can help fund your financial future.

### Timing and Taxing

Like your financial strategy, your tax strategy operates in two time frames - now and later. "Now" covers the 12 months of the current tax year. A misstep of a month in selling an appreciated stock and paying the higher short-term capital gains tax versus the lower long-term rate could result in a significantly higher tax bill. "Later" covers long-range moves such as starting a tax-deferred savings plan (for instance, under Section 529 of the Internal Revenue Code) at the birth of your baby. Either way, timing is critical. Every year, the tax laws change in large and small ways, and it requires time and attention to stay current.

In fact, there's hardly an aspect of your financial situation - savings, education, real estate, home office use, retirement funding, and estate planning - that isn't touched by tax law changes. For example, one recent change is the ability to make withdrawals from an Individual Retirement Account (IRA) - without penalty - for certain "hardship" conditions including unreimbursed medical expenses, education expenses, and certain primary residence purchases.

### Life Changes

Your life experiences, rather than tax laws, should take center stage in your tax planning strategy. Take a stroll down the front of Form 1040. Near the top of the form you must declare your filing status (single, married filing jointly, married filing singly, or head of household), which determines your marginal tax rate (the rate at which your last dollar of income is taxed). The number of exemptions you claim, or dependents you support, comes next, followed by more than a dozen types of income. At the bottom of the form are the possible deductions that reduce your total income to adjusted gross income (AGI).

### Daily Adjustments

Retaining as much of your gross income as possible should be an ongoing objective, not something that happens only at tax time. Some portion of household-related expenses may be deductible if you maintain a home office. Ongoing childcare and dependent care expenses may provide you with special tax advantages, helping to reduce your tax obligation. Furthermore, you may be able to shift earned income, as well as investment income, to accounts for your children, who are likely to be in a lower tax bracket.

Tax regulations can be complex, but a professional can help you. Developing and then implementing a tax strategy early on can help you achieve your long-term financial goals.

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**The information mentioned here in above is of general nature and cannot be regarded as legal or tax advice. For more information, please contact Anne Tahim at 714-772-4744**