

TOP 10 TAX TIPS

What You Should Know

The best tip for tax time? Give your Certified Public Account (CPA) a call. It's their business to know how to help you best manage your finances.

If you do decide to grapple with your taxes, Michael Nord, a CPA in Folsom, says that setting goals for your tax preparation can help the process move along. "Set specific times to accomplish certain tasks," Nord says. He adds that rewarding yourself for completing those tasks can serve as motivation.

Here are a few things to keep in mind before you make that annual retreat to your home office:

- 1. Organization can turn a turbulent ride into a walk in the park.** Nord suggest using accounting software such as Quicken. "This can help categorize important financial transactions and assist with check writing, bill paying and household budgeting purposes," he says.
- 2. Spend money to save time.** "Consider the time you spend managing investments and taxes and determine if that time is better spent on your area of expertise." says Scott Draper, a CPA and Certified Financial Planner™ (CFP®) in El Dorado Hills. "A fee paid to a good financial professional is money well spent, because it more than pays for itself in savings and improved returns over the long run."
- 3. The IRS is not out to get you.** "So many of us are afraid of the IRS, and rightly so if you owe them money," says Kristi LeGue, a CPA in Roseville. "If you show them you are making an honest good faith effort to pay, they will work with you. If you don't file your taxes and try to avoid them, that is when they are tough. Communication is the key"
- 4. Understand the tax laws, or at least work with someone who does, like a CPA or a financial consultant.** "Although off-the-shelf tax software (like Turbo Tax) does a nice job of interviewing and assisting," Nord says, "it cannot critically examine or judge whether an item is being treated properly under the code. This takes professional judgment and interpretation."
- 5. Manage your capital gains to save on taxes.** "If you're someone who buys and sells stocks and mutual funds yourself," Draper says, "you might be able to sell some investments at a loss to reduce gains on the other sales."

6. **Don't be afraid to ask for help.** “you should contact a CPA when it is so stressful that you and your family are miserable during tax time, when you feel there may be more deductions than you know about, or if you start your own business,” says LeGue.
7. **Plan for major life changes such as retirement, marriage and having children.** “I see clients making financial decisions without appropriate information or advice as to what ramifications those decisions might have on the overall picture, not just the tax implications,” Nord says.
8. **Charitable donations should be recorded with the description and condition of items that were donated and what a similar item might be worth.** Because of changes in laws regarding automobile and large donations, Draper says “you should consult with a tax advisor about appropriate records and substantiation if you plan on making large charitable donations.”
9. **Use online, print and other resources.** To answer frequently asked questions and to keep up on changes to tax laws, LeGue and Draper suggest www.irs.gov for federal tax information. Draper also suggests www.marketwatch.com, The *Wall Street Journal* and *Fortune* magazine are good sources for financial periodicals as well as stock market news and information.
10. **Teach your children about financial literacy.** By allowing them to manage money, use checking accounts and invest, they can learn early on how taxes play a role in their finances. “Show them your paycheck stub and discuss what all the withholdings mean and how the system works,” Nord says. If you don't know what it means, this is your chance to do some investigating and learning on your own.

Still have questions? Contact your local CPA for financial guidance. April 15th will be here before you know it.

Jean Blomo/Folsom El Dorado Hills Style Magazine, March 2006