

How Year-Round Tax Planning Can Put You on a Faster Track Toward Your Goals

January marks the beginning of the traditional “tax season” as taxpayers begin to gather financial documents, statements, and receipts in preparation for filing their annual returns, usually in April. However, paying close attention to taxes year-round can offer significant benefits since all financial decisions have tax consequences that impact how much income you keep. That’s why tax management is a principal component of a comprehensive financial strategy designed to not only help you remain on track toward your long-term goals but pursue them in an effective and efficient manner.

Consider the tips below to help you keep taxes in check throughout the year.

Avoid overpayment

Rule #1: There’s never a reason to pay more than your fair share of taxes. Overpaying will not only cost you today but could slow progress toward your long-term goals, even if you receive a refund later due to the time value of money. That’s the assertion that a dollar today is worth more than a dollar tomorrow since the money you have now can be invested and potentially earn interest over time, making it more valuable than the same amount received in the future.

Work with professionals

Keeping more of your money working for you requires a comprehensive strategy that seeks to optimize taxes on income and investments through maximizing tax deductions and credits and employing other tax-smart strategies to help retain and grow your wealth. That’s where your tax and financial professionals can help.

It’s nearly impossible for individual taxpayers to keep up with the myriad of changing state and federal tax laws, and the dozens of annual inflation adjustments on existing tax provisions each year. However, your tax and financial professionals are well-equipped to provide guidance, implement tax-smart strategies aligned with your needs and goals, and help keep you up to date on changing tax laws.

Check your withholding

One of the easiest ways to help optimize your tax liability is to review your withholding annually. The information you provide on your Form W-4 determines how much your employer sets aside to pay federal taxes on your behalf each year. If too much money is withheld from your paychecks, you’ll get a tax refund next year when you file your return. But in the meantime, you’re giving the government an interest-free loan. However, withholding too little might result in an unexpected tax bill and, in some cases, a penalty for underpayment.

To avoid paying too much or too little, revisit your withholding at least annually or when you experience a change in your life or employment status, such as receiving a raise, taking a second job, getting married or divorced, a change in the number of your dependents, and other circumstances



FINANCIAL WATCH

impacting your household income. Keep in mind that while certain life events may result in more taxes being withheld, others will result in credits and deductions that can help lower your taxes.

Organize your records

Whether you're preparing your returns yourself or uploading documents to a professional tax preparer, the ability to file online saves considerable time and effort over paper-based returns. While you still may need to scan a few documents to upload with your returns, in most cases, taxpayers can access copies of financial statements and tax forms online, eliminating the cumbersome process of making photocopies or waiting to receive documents in the mail.

To make this process even easier when tax time rolls around, upload documents and receipts throughout the year to your secure online vault available through your financial professional. These may include receipts for charitable donations, out-of-pocket medical expenses, property taxes, prior year tax returns, and more. Having everything available in one place will make it easy to access the information you need when it's time for you or your tax professional to prepare your annual state and federal returns.

Maintain emergency savings

What do emergency savings have to do with taxes? Having adequate emergency savings in a liquid account such as a bank savings account can help avoid situations that could lead to paying unnecessary taxes and penalties when faced with an unexpected expense, such as dipping into retirement savings or other long-term investments. This can help you preserve your long-term investments and avoid penalties and taxes that may result from early or untimely withdrawals.

If you have questions about ways to keep more of your hard-earned income working for you, contact the office to schedule a time to meet.

This information was written by KRW Creative Concepts, a non-affiliate of the broker-dealer.

Cetera Financial Group" refers to the network of independent retail firms encompassing, among others, Cetera Advisors LLC, Cetera Advisor Networks LLC, Cetera Investment Services LLC (marketed as Cetera Financial Institutions or Cetera Investors), and Cetera Financial Specialists LLC. All firms are members FINRA/SIPC. Located at: 655 W. Broadway, 11th Floor, San Diego, CA 92101.

Individuals affiliated with Cetera firms are either Registered Representatives who offer only brokerage services and receive transaction-based compensation (commissions), Investment Adviser Representatives who offer only investment advisory services and receive fees based on assets, or both Registered Representatives and Investment Adviser Representatives, who can offer both types of services.

This communication is designed to provide accurate and authoritative information on the subjects covered. It is not, however, intended to provide specific legal, tax, or other professional advice. For specific professional assistance, the services of an appropriate professional should be sought.

Some IRAs have contribution limitations and tax consequences for early withdrawals. For complete details, consult your tax advisor or attorney. For a comprehensive review of your personal situation, always consult with a tax or legal advisor. Neither Cetera Firms nor any of its representatives may give legal or tax advice.