

Tips for a Tax Smart Future

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Financial Classes
Personal Coaching

Presented by



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Class Objective

The information covered in this class can help you become more aware of some important tax strategies.

You just might find yourself receiving a check from the IRS instead of sending one their way!

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American Tax Burden

"Taxes are what we pay for a civilized society."

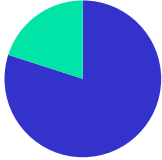
Oliver Wendell Holmes, Jr. (1904)

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Who Pays These Taxes?

The top 25% of taxpayers pay almost 86% of all federal personal income taxes.**



** Households with adjusted gross income of \$62,068 or more

Source: www.taxfoundation.org/ (website) for tax year 2007. The Tax Foundation is a non-partisan tax research group based in Washington, D.C.

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Keys to Managing Taxes

1. HOW INCOME TAXES WORK
2. TAX-FAVORED INVESTING AND SAVING
3. TAX PLANNING OPPORTUNITIES

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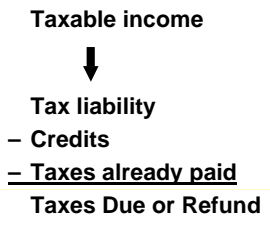
Determining Taxable Income



Gross income
 - Adjustments
 Adjusted gross income (AGI)
 - Deductions
 - Exemptions
 Taxable income

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Taxes Owed or Refund Due



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Capital Gains and Dividends

Capital Gains

Held 12 months or less	Ordinary income tax rates
Held more than 1 year	Maximum tax rate of 15%*

* Reduced rate is effective through 2010.

Dividends

Maximum tax rate of 15%**

** Reduced rate is effective through 2010 for qualified corporate dividends.

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Alternative Minimum Tax (AMT)

At least 35.5 million taxpayers will pay the "other" income tax by 2010. Reasons for AMT:

- Home equity debt
- Accelerated depreciation
- Incentive stock options
- Tax-exempt interest from private activity bonds
- Passive activity losses
- Income from long-term contracts
- Capital gains
- Other deductions

Source: Congressional Budget Office, 2004

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Tax Strategies

IRS withholding calculator

Use the IRS withholding calculator at:
<http://www.irs.gov/individuals/article/0,,id=96196,00.html>.

- More accurate and easier than using a W-4 worksheet.
- Transfer your calculations to a (hard copy) W-4 Form to give to your employer to adjust your withholding.


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Tax Strategies

Tax benefits of Flexible Spending Accounts (FSA's)

- If your employer offers an FSA and you have predictable out-of-pocket medical, dental, vision, or dependent care expenses, consider an account.
- An FSA helps you budget your expenses while increasing your take-home pay: FSA deductions come out of your paycheck before taxes are computed.

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Municipal Bonds

- Earnings on tax-exempt bonds are free from federal income tax*
- Generally, free of state or local taxes in the area in which issued
- Sensitive to interest-rate fluctuations
- Different bonds have different levels of safety, which is determined by third party rating services, such as Standard and Poor's and Moody's

*Depending on your income, you may be subject to the Alternative Minimum Tax (AMT). Please see a tax professional for advice on your particular situation.

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Tax Free Money Market Funds

- Easily converted to cash
- Only invested in certain securities
- Not FDIC insured or guaranteed
- Not all are the same

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Individual Retirement Accounts (IRA's)

- Traditional IRA
 - Tax-deferred accumulation
 - Withdrawals taxed as ordinary income
 - Federal income tax penalty for early withdrawals (before age 59½)
 - Minimum distribution and excess accumulation penalties may apply
- Roth IRA
 - Tax-free accumulation
 - Tax-free qualified withdrawals

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Employer-Sponsored Retirement Plans

- Pre-tax contributions
- Tax-deferred accumulation
- May lower current tax liability
- Annual contribution limits

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Pay Off Credit-Card Debt

- Consider consolidating debt into a home-equity loan.
- Consolidating debt can be a tax advantage, but you are putting your home at risk
- This strategy may not be appropriate for everyone



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Tax-Free Exchanges

There are also ways to exchange stocks, bonds, and even life insurance policies without triggering current income taxes:

- Stock and bond swaps
- 1035 exchanges

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U.S. Treasury Securities

U.S. Treasury securities are probably the most prominent of all bonds. They are debt instruments of the U.S. government and are issued by the United States Treasury.

- Free of state and local taxes
- College funding opportunity

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Charitable Contributions

- Helping out charitable organizations may reduce your tax bill
- Include any donations on your tax return
- You will need a receipt for any contribution
- Refer to IRS Form 8283 for specific non-cash contribution requirements

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How to Manage Your Taxes

UNDERSTAND how income taxes work

PRACTICE tax-favored investing and saving

UTILIZE tax planning opportunities

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We hope you have gained valuable information to help you feel more confident when making financial decisions.



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