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# Retiree Tax Preparation and Savings

## Never Too Early to Prepare

By Ronald Stevenson

Even though retirees are not working full-time, their tax situation can still be complicated, because they may receive investment income, interest or dividend income and or capital gains distributions in a year. Whether they take those monies out or reinvest them, they may not be in as low of a tax bracket as they had hoped.

We often receive questions such as, "How can I save on my taxes?" When it comes to saving on taxes, most Americans have options. The two most popular options when it comes to filing taxes are waiting until April to file your taxes, at which time you might pay someone to report and pay the government a larger portion of your income; or preparing your taxes sooner by working with a financial professional and incorporating a tax plan as part of your overall financial planning strategy, which is more likely to save you money.

Most people choose the second option. They want to save money and pay less in taxes. But, what makes their situation difficult in real life is that the tax laws aren't always that clear on how they can save money

and pay less in taxes. To normal Americans, and to plenty of people who have studied it, the U.S. tax code is easy to get lost in. There are all kinds of rules, exceptions to rules, caveats and conditions that are difficult to understand, or even to know about. What you really need to know is your options and the bottom line impacts of those options.

There are some tax strategies that we use with our clients that have successfully

helped them have a better idea of what their tax bill is going to be at the end of the year. Since we are a tax firm, we can look over our clients' taxes and help form their specific tax strategy. The strategy is meant to help them have an understanding about what the normal tax ramifications might be of some of the investment and financial decisions that they make.

**//** A strategy might include, but is not limited to, maximizing tax-free income, taking advantage of standard or itemized deductions, timing the sales of taxable assets or deferring your retirement plan distributions until needed.

Most everyone, when it comes time to file their taxes, is glad to have them done for the year. However, not everyone takes that extra

time to go back through and make sure that absolutely everything was done correctly. According to the Internal Revenue Service, roughly 60 percent of tax returns are done by a paid preparer, and a report released by the Government Accountability Office states that 17 out of those 19 returns had significant errors.

Conducting a second opinion on your taxes can help make sure you filed correctly. Sometimes a second opinion may find an er-

ror on your tax return, resulting in you getting some extra money back or even lowering your tax bill. But, it can also go the other way. Even if you find a tax error that causes you to owe a little bit more, it is still a great idea to get that cleaned up and fixed on your own timetable, rather than the IRS catching a mistake two years later and adding costly interest and penalties.

Conducting a second opinion is pretty straightforward. All you need to do is come in with copies of your past year tax returns, investment statements, and any other pertinent data. We'll go through the documents to get a general idea or an overview of what your total situation is. Then, we'll look at it and prepare an amended return where necessary and valuable. **QCBN**



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