

Federal Income Tax Planning Checklist

Income taxes are a "fact of life." No one likes to pay more than necessary and the rules are confusing. Here are some ideas to consider to help keep your taxes as low as possible and to make the entire "tax process" less stressful.

Date	Item	Actions Needed	Taking Action	Articles From Library
___/___	<p>Be organized. Having your records in a usable manner will make preparing your return easier and may help you with deductions you might have forgotten about.</p> <p>Consider using a software program like Quicken or Money to keep you organized. You should also keep a file of receipts and other records you know you will need.</p>	<ol style="list-style-type: none"> 1. 2. 3. 		<p>Developing an Effective Income Tax Strategy</p> <p>Tax Implications of Financial Decisions</p>
___/___	<p>Contribute to your 401(k) plan. By deferring wages into your plan, you will keep your taxable income lower, save money for retirement, enjoy the benefits of tax-deferred compounding of earnings within the account and probably get some form of "match" from your employer.</p>	<ol style="list-style-type: none"> 1. 2. 3. 	Meet with a financial advisor to determine how the investments within your employer plan fit within your overall investment strategy.	<p>Take Full Advantage of Your Employer's 401(k) Plan</p>
___/___	<p>Use proper withholding and estimated payments. Getting a large refund is nice, but wouldn't you rather have the money now instead of waiting for a refund? You may want to consult with your accountant to make sure you are properly covered.</p>	<ol style="list-style-type: none"> 1. 2. 3. 		
___/___	<p>Consider giving appreciated stock to charities. By giving appreciated stock instead of cash, you can get a charitable contribution for the fair market value of the gift and not have to pay tax on the capital gain. There are some rules that apply, so consult your advisor.</p>	<ol style="list-style-type: none"> 1. 2. 3. 	Visit with a trust officer to help you evaluate this technique as well as other planned giving strategies.	<p>Charitable Giving Strategies</p> <p>Consider Charitable Contributions of Appreciated Stock</p>
___/___	<p>Contribute to your IRA early. The earlier you contribute, the sooner the earnings become tax deferred.</p>	<ol style="list-style-type: none"> 1. 2. 3. 	Contribute to an IRA for yourself and your spouse.	<p>An IRA Refresher</p> <p>Are You Aware of the New Benefits of IRAs?</p> <p>Can \$4000 IRA Contributions Really Add Up?</p>

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/	<p>Manage your itemized deductions. If your level of itemized deductions is close to what is needed to use them, consider "bunching" deductions every other year.</p>	<ol style="list-style-type: none"> 1. 2. 3. 		
/	<p>Use tax-advantaged borrowing. Not all interest you pay is tax deductible. The interest paid on your mortgage and home equity loans gets treated better than interest paid on credit cards.</p>	<ol style="list-style-type: none"> 1. 2. 3. 	Examine the details and rates offered through home equity loans.	Home Equity Loans
/	<p>Be careful of mutual fund taxation. Mutual funds pay no income taxes, but shareholders must report all distributions of dividends, interest and net capital gains.</p> <p>If your fund has experienced much turnover within the portfolio, there may be capital gain distributions regardless of changes in the fund's value.</p>	<ol style="list-style-type: none"> 1. 2. 3. 	Meet with a financial advisor to help you examine your mutual fund holdings, especially the levels of fees and turnover.	Investing in Mutual Funds Mutual Funds and Income Taxes
/	<p>Consider tax-exempt bonds. The interest on bonds issued by state and municipal entities is exempt from federal taxation.</p>	<ol style="list-style-type: none"> 1. 2. 3. 	Meet with a financial advisor to evaluate whether municipal bonds are appropriate for your investment strategy, given your tax situation.	Investing in Municipal Bonds Comparing Taxable and Tax Free Yields
/	<p>Consider tax deferred investment options. Annuity contracts issued by insurance companies enable earnings to remain tax deferred within the contract. They act somewhat like IRAs, but can have fees and other expenses.</p>	<ol style="list-style-type: none"> 1. 2. 3. 	Meet with a financial advisor to further investigate these tax advantaged opportunities.	Taxable, Tax Advantaged, Tax Deferred and Tax Free Understanding Fixed Annuities

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/	<p>Monitor capital gains and losses. Long-term capital gains on investments held for more than a year get taxed at lower rates than other types of income.</p> <p>Net capital losses up to \$3000 can be deducted with any excess carried forward.</p> <p>Review your portfolio regularly, especially near year-end, to take advantage of the capital gain rules.</p>	<ol style="list-style-type: none"> 1. 2. 3. 	Meet with a financial professional to review your investment portfolio.	Tax Implications of Financial Decisions
/	<p>Alternative minimum tax. This "extra" tax can apply if your deductions and certain other items exceed certain levels. Millions are being surprised by the AMT.</p> <p>Discuss the AMT with your tax advisor to determine if you may be subject to it and to identify steps that may lessen the tax.</p>	<ol style="list-style-type: none"> 1. 2. 3. 		Beware of the AMT
/	<p>Tax advisor. Everyone's tax situation is different and the rules can be very complex. Be sure to get the professional advice you need.</p>	<ol style="list-style-type: none"> 1. 		