



Francis Financial

Your Path to Prosperous Living™

Top 5 Tax Savers

Times are bad indeed. My friend, who would normally never talk to anyone about money, invited me over for dinner last weekend to discuss her financial situation. Her husband is a stockbroker, so he's barely making pocket change. Struggling to survive on her salary, they just crunched some numbers in their e-filing software and learned that they owe the IRS almost \$8,000. With no savings left except for the money stashed in their IRA accounts, how are they supposed to come up with the money?

Before you pull cash out of your IRAs or take out a loan, I told them, let me take a look at those numbers and see if I can shrink that tax bill. Many people pay more tax than they need to, because the tax code is complicated and the thought of studying it in detail makes them queasy. If you are one of these people, at least make sure you are aware of these top 5 tax savers.

1. Investment losses. I expect this to be one of the biggest tax savers this year, with stocks and mutual funds invested in stocks down across the board. If you have sold these types of securities, you may be able to deduct the losses from your tax basis. You can offset capital gains against capital losses. If you still have losses left over (as many of us do) you can deduct up to \$3,000 off your taxes each year until you have used the total loss.
2. If you have an IRA, take your contributions to the limit. As long as you opened the account before the end of last year, you have until April 15 to add more money – and deduct it from your taxes if your income is low enough that you qualify to deduct your IRA contributions.
3. Itemize. Most people use the standard deduction – to their loss! True, the paperwork load involved in itemizing can be substantial. But many times your savings are, too.
4. Skip your AMT. While difficult and best done by an accountant, in some cases you may be able to skip out on this tax (yes, legally) by taking smaller deductions in certain places.
5. Save receipts for those charitable donations. Even my yoga studio has switched over to a donation-based not-for-profit. Keep track of your receipts, and you can lower your tax basis.

Wishing you prosperity and happiness,

Stacy Francis, CFP, CDFA