

# LET'S TALK MONEY<sup>®</sup>

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Investing for retirement will help you prepare for your future. But where should you invest your money? If you choose to invest in one or more tax-advantaged accounts, you can prepare for retirement *and* receive tax benefits. Here's how the tax benefits of 401(k) plans, traditional individual retirement accounts (IRAs) and Roth IRAs can help you pursue your retirement goals.

## 401(k) plans

With an employer-sponsored 401(k) plan, you may make contributions to your account on a pretax basis. The amount you contribute is deducted from your pay before federal (and, possibly, state and local) income taxes are taken out. Plus, you won't owe federal income taxes on your pretax contributions, or on any income from investing those contributions, until you receive distributions from the account.

## Traditional IRAs

If your employer doesn't offer a 401(k) plan, you may want to consider taking advantage of the tax benefits of a traditional IRA. For 2015, you can contribute up to \$5,500 (\$6,500 if you're age 50 or older) and contributions may be made up until the due date of your federal income-tax return (not including extensions). With an IRA, you may deduct your contributions, although your deductions may be limited if either you or your spouse is covered by a retirement plan at work. You or your spouse must have earned income, such as wages, to fund an IRA. Your IRA can potentially grow tax deferred until you begin taking withdrawals.



## Take Advantage of Tax-advantaged Accounts

### Roth IRAs

A Roth IRA is different from a pretax 401(k) account or a traditional IRA in that contributions are made with after-tax dollars. To contribute, you must meet adjusted gross income and earnings requirements. Any earnings that are generated by Roth IRA investments can grow tax free. Unlike traditional IRAs, there are no required minimum distributions during your lifetime, though special rules require minimum distributions for account beneficiaries. Your contributions to a Roth IRA can be withdrawn penalty- and tax-free at any time. Earnings also can be withdrawn tax free and without penalty if you are at least age 59½ and have satisfied a five-tax-year waiting period.

Be sure to consult your tax advisor regarding your specific situation.



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I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

Meaglia Financial Consulting is a full-service comprehensive financial consulting and investment advisory business. For 35 years, Tom has been helping clients with financial coaching, investing for retirement, and estate planning.

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By the numbers:

# MATH MISTAKES

2013 Federal income-tax return math errors:

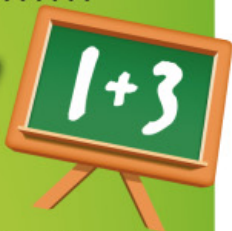


**588,175**

Tax calculations/other taxes

**324,507**

Exemption number/  
amount



**278,188**

Standard/itemized  
deduction

**106,818**

Adjusted gross/taxable  
income amount



**65,441**

Education credits

**44,135**

Filing status



Consult your tax professional regarding your particular situation.

Source: Internal Revenue Service Data Book, 2014, Publication 55B, Washington, DC, March 2015

Everyone makes mistakes, but making a mistake on your income-tax return can cost you. It could delay your refund, boost your tax bill, require an amended return or even trigger an audit. Before you submit your return electronically or put it in the mail, double-check to make sure you haven't made any errors.

## Simple slip ups

Many tax-return mistakes are simple ones. Ensure that you've entered the correct name, address and Social Security number for every person listed on your return. Another frequent error is to enter the right information on the wrong line. So it pays to go through your return line by line.

## Clear up confusion

It's important that you use the right filing status. If you're not sure which filing status is right for you, use the interactive tool "What is My Filing Status?" on [www.irs.gov](http://www.irs.gov). You can also check the IRS website to figure out who you can claim as a dependent. Once you determine who qualifies as your dependent(s), verify that you have checked the appropriate exemption boxes for your personal, spousal and dependency exemptions.

## Correctly calculate credits and deductions

If you're claiming any credits, such as the dependent care credit, you need to follow the instructions carefully. And check that you have completed the necessary forms or schedules. If you're taking the standard deduction, verify that you are claiming the correct one. You can use the chart in the Form 1040 Instructions or use the interactive tool "How Much is My Standard Deduction?" on [www.irs.gov](http://www.irs.gov).

## Check your math

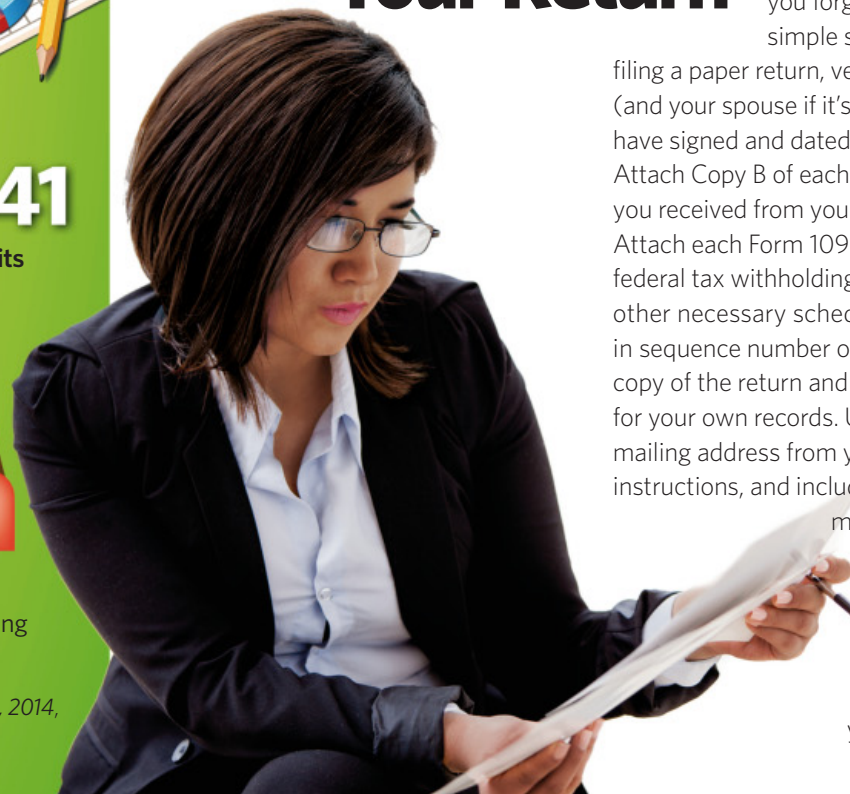
It's very easy and common to make simple math errors while preparing your tax return. It's a good idea to double-check that you've added and subtracted all numbers correctly and that you haven't transposed any numbers. Ensure that you used the right column on the tax table when figuring out your tax.

## Final details matter

Don't be in such a rush to finish your return that you forget a few final, simple steps. If you're

# Double-check Your Return

filing a paper return, verify that you (and your spouse if it's a joint return) have signed and dated the return. Attach Copy B of each Form W-2 that you received from your employers. Attach each Form 1099-R that shows federal tax withholding. And attach all other necessary schedules and forms in sequence number order. Make a copy of the return and all attachments for your own records. Use the correct mailing address from your tax form instructions, and include a check or money order if you owe tax. And, finally, check that you put sufficient postage on your envelope.



Does paperwork pile up on the dining room table, kitchen counter or in a catch-all drawer? Setting up a system can help you save time, reduce stress and avoid late fees and misplaced tax records. Here are a few ideas to help you get started.

## Clearing the Clutter



### Develop a daily routine

Get in the habit of dealing with documents as soon as you receive them. Decide right away if each item needs to be paid, filed or discarded. Once you determine that you won't need a piece of paper, throw it out or, even better, shred it.

### Use a simple system

Choose a filing system that makes sense to you. Organize paperwork into groups, such as credit card receipts, monthly bills and tax records. You don't necessarily have to keep your paperwork in an office or spare room. It might be easiest to keep your files near your computer or in a kitchen cabinet near the area where you do your paperwork.

### Go electronic

To help reduce the amount of paperwork and streamline your money management system, ask your employer to deposit your paycheck directly into your bank account. Also, consider doing more online, such as having recurring bills paid automatically from your checking account and doing your other banking electronically.

## More Than the Minimum

When you get your credit card bills in the mail, it's tempting to just pay the minimum amount due, especially when money is tight. However, only paying the minimum means carrying a balance on your credit cards. When you carry a balance from month to month, you pay interest on that balance. Each month you don't pay off the balance, more interest is added. You are paying interest on the interest. Over time, you could pay more in interest than the actual cost of the item you charged.

Paying more than the minimum amount due will save you money on interest and pay off the balance on the credit card sooner.

**Credit card balance: \$5,000**

Monthly payment	Payoff timeline	Total interest paid
\$100	72 months	\$2,240
\$250	23 months	\$666

This is a hypothetical example used for illustrative purposes only. It assumes an interest rate of 13% and no new purchases with the card.

Source: DST

## Are You Really Ready to Retire?



You may like the *idea* of retiring. The thought of sleeping in and being able to do what you want, whenever you want, is quite appealing. But the *reality* of retirement may be quite different than you imagine. Here are a few questions to ask yourself before you stop working.

### Have I accumulated enough money in my retirement accounts?

Your financial professional can help you determine if your sources of retirement income will cover your expenses during retirement. If you're worried you won't have enough, consider increasing the amount you contribute to your retirement accounts.

### How will I spend my time during retirement?

This next phase of life could last for many years. Staying active and involved may help you feel happy and healthy. Traveling, volunteering, pursuing hobbies and spending time with family and friends are

activities that may interest you. It's a good idea to have a specific plan before you retire so the transition from a busy working life to retirement may be easier.

### What do I need to know about Social Security and Medicare?

Social Security likely will be just one of your sources of retirement income and Medicare will help cover *some* of your health care expenses during retirement. The rules about when you can apply for Social Security and Medicare are complicated. Your financial professional can help you figure out when you should apply for both of these programs.



**Q. I'm thinking about changing jobs. What will happen to the money in my employer-sponsored retirement plan?**

**A.** You may have several options. The first is taking a cash payout. If you take a cash payout, all or part of that money will probably represent a taxable distribution. Along with income taxes, you may owe an additional 10% early withdrawal penalty on the taxable amount. Plus, if you spend the money, you won't have it available for your retirement. You'll also miss out on any future earnings that money could have generated if left invested.

Another option is rolling your distribution into your new employer's retirement plan (if it accepts rollovers) or an individual retirement account (IRA). You can keep your money tax deferred (and avoid a potential penalty) by arranging for a direct rollover. Less attractive is an indirect rollover, whereby a check is issued to you and you have

60 days to deposit it into an appropriate IRA or retirement plan account. Your retirement plan would be required to withhold 20% of the distribution for federal income taxes, and you would have to make up the 20% difference with other funds or else pay taxes (and possibly a penalty) on it.

Finally, if it's allowed, you can leave your money in your former employer's retirement plan. The advantage is that it would continue to remain invested on a tax-deferred basis.

**Q. How can I figure out what my monthly Social Security benefit will be when I retire?**

**A.** You can access your personal *Social Security Statement* online by using your *my Social Security* account. The online statement gives you access to your earnings records and provides estimates for retirement, disability and survivor benefits based on your earnings. You can open your own personal *my Social Security* account at [www.socialsecurity.gov/myaccount](http://www.socialsecurity.gov/myaccount). You can also estimate your future retirement benefits by using the website's Retirement Estimator. Of course, your tax advisor can provide guidance regarding your particular situation.

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