

Countdown to Tax Time and Beyond

More than 80 million 1099s are sent during this time, and an estimated 10% contain errors. You'll not only want to check the 1099s you receive for accuracy but will want to embark on a course of action so that you can approach tax time with minimum stress and maximum dollars saved. Here are some steps to take:

Six weeks to go: Make an appointment, if you've not already done so, with your tax preparer. Gather and organize the following: last year's tax return, W-2s, 1099-Int, 1099-OID and 1099-div or interest and dividends, 1099-R for any retirement distributions; other sources of income; K-1 schedules for partnerships, S corporations, estates and trusts; documentation on mortgage interest and real estate taxes paid; medical, dental and childcare expenses; charitable contributions and all other deductible expenses. Get the latest copy of computer software if that is what you will use.

Five weeks to go: Check all above for accurate amounts, and verify your social security number. Organize charitable contribution receipts including those for donations of appreciated

stock. Charities receiving stock often do not know how it is earmarked – whether it is for an endowment, the operating fund or to buy a table at a gala. You'll need receipts from charities for any donations made of clothing, etc. with a value of \$250 or more.

Four weeks to go: Review your investments for gains and losses on any holdings sold during 2005. Financial advisors who are high on service will send you a gains/loss report and also one directly to your accountant if you provide the contact information. If you've been hopping brokers, or have sold investments you've held long-term or

those that have split many times, nailing down the correct cost basis will take time.

Three weeks to go: Make your retirement contributions for 2005 if you've not already done so. Even though April 15 is the deadline for IRA contributions and your personal filing date (could be August or October if on extension) is the deadline for Keoghs and SEPs, the fact is the earlier you contribute, the more you benefit in the long run. And while you're at it, make your contributions for 2006 as well. The new limits for retirement contributions in 2006 are \$4,000 (\$5,000 with catch-up) for IRAs and Roth IRAs; \$15,000 (\$20,000 with catch-up) for 401 (k)s, 403(b)s and 457 plans.

Two weeks to go: Make sure that you have maximized all deductions to which you are entitled, for example: student loan interest, mortgage points (only a portion if you've refinanced), and health insurance premiums for self-employed. Calculate if you are subject to the Alternative Minimum Tax. Finalize the details of your return with your tax preparer or your tax software.

One week to go: Time to file. Consider electronic filing if you are not already doing so. It reduces errors, 20% of returns done by hand contain errors, compared with 1% filed electronically. Filing electronically also speeds refunds. Set appointment with tax preparer for early May to begin strategizing for 2006 returns while 2005 information is on hand. If you've filed an extension, use that appointment to develop an action plan to address remaining items needed.

One week after filing: While your brokerage statements, records and all financial information is close at hand, there is no better time to update your net worth statement, review your expenses vs. income, evaluate your investment performance and diversification and run a cash flow projection to and through retirement. Planning now can make next year's tax time less taxing. ☺

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