

It's Beginning to Smell a Lot Like Taxes

Last Chance to Save Money in 2009

By Kevin Bourke

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Some people like roller coasters. They like the sensation of not knowing which direction they'll take next. Many have referred to the recent economy and markets as roller coasters, but I haven't met anyone who likes financial uncertainty.

Today, let's cut through the fog and work with something solid. In 1789, Benjamin Franklin wrote, "In this world nothing can be said to be certain, except death and taxes."

Here are some ideas that you can jump on today that might save you some money come April 15.



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1) I know people who wait until Nordstrom's has their half-yearly sale to buy new clothes because they like to "buy low." Those same people know the stock market phrase "buy low, sell high." But when the market goes down, rather than buying low, they actually discontinue buying stock, especially in their retirement plans, or they make the contributions and direct that the money is to go into non-stock market related investments. Then they wait until the market recovers and "buy high."

Is that you? Come on, admit it, we're all friends here. If this describes you, now is your chance to confess and make amends.

Try to contribute the maximum to your retirement plans. This may be a tough one because you might need the income to pay bills, but the maximum contribution for a 401(k) this year is \$16,500 for those under 50; \$22,000 for those 50 and over. Have you met the limit?

What if you just try it, find a way to make it happen? Tighten the belt, call your company's human resources department, get online, whatever it takes, but try to get as much money deposited in your tax

deferred accounts as possible. NOW! Time's awastin.'

Why is this a tax related issue? Because contributions to retirement plans provide a tax benefit. Take advantage!

2) 2008 and 2009 were unusual years in many ways, and they've created an opportunity to minimize tax on capital gains. Do you have investments that are showing a profit? Perhaps you moved into the market in the early part of 2009 and it worked out well. Should you take the gains? It depends on your specific situation, but consider: If you have capital losses to carry forward from last year, why not offset them with gains? This strategy is especially effective if you have long term losses from last year and can offset them with short term gains from this year. This column isn't designed to detail why this tax strategy might make sense for you, but ask your tax professional about it. This year is unique, and this alone might save you thousands in taxes.

3) If you have investments with a financial advisor, call them. Update them on your current situation. Did you make more money this year, or less? Did you buy or sell property? Was a child born or did you divorce? Did you start a business? What's going on in your life? Should you be shifting money into a Roth IRA from another tax-deferred account? If you have significant assets with your advisor, they should be contacting you as well as your tax preparer, coordinating efforts, looking for ways to save you money. But ultimately you are the one who's going to pay the tax.

These are just three ideas on a very long list of items that should be on your to-do list this month. Enlist help if you must, but please be proactive now! It's a shame when unnecessary taxes are paid because a simple shift was missed. Don't wait until after December 31! It just might cost you dearly.

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