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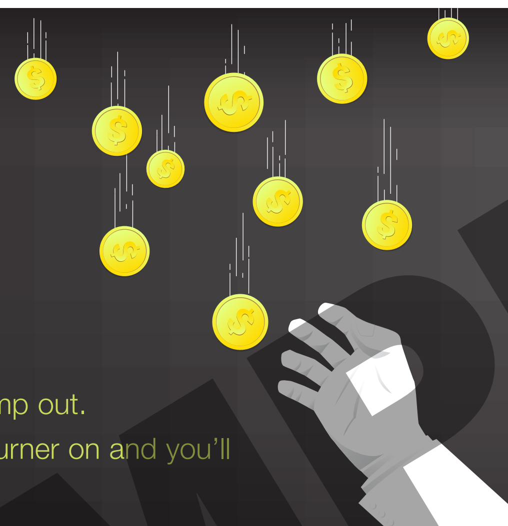
CLIENTUPDATE
PRACTICAL TAX & FINANCIAL ADVICE

Everyone wants a piece of your income



THERE IS AN OLD WISDOM:

Put a live frog in hot water and he'll jump out.

Put a live frog in cold water, turn the burner on and you'll have frog legs for dinner.

This wisdom is not lost on some businesses as they know it's easier to sell you a service once and then bill you for it automatically over a long period of time versus reselling the service to you each year. This form of billing, called recurring or annuity billing, is now common practice for most businesses. So who are the biggest users of this strategy?

- Cell phone companies*
- Cable and satellite television companies*
- Garbage haulers
- Banks*
- Credit monitoring services
- Cloud computing services (storage and file sharing)
- Any "of the month" clubs (books, music, fruit, meats, etc.)
- Maintenance contracts from service providers (heating, air conditioning, landscaping, etc.)
- Subscriptions (newspapers and magazines)
- Other online services (finding/rating local supplier services, online TV viewing, sports viewing packages)

**Often contains multiple annuities within a bill*

Action to take now

- **Create a list of your recurring charges.** Check your bank account and credit card bills for similar monthly charges. Identify each vendor related to the bill and note what the service is that they provide. Then calculate an annual column for each bill (monthly times 12). Next, add all the costs up to find a monthly and annual total.
- **Note long-term contracts.** Check the contracts for any exit penalties and auto renewal clauses. Write the auto renewal companies immediately to formally move to month-to-month after the initial contract expires.
- **Review the usefulness of each monthly bill.** Now rate each bill on a scale from one to five against how important each one is. Start closing down those that are less valuable to you.
- **Move to annual billing where possible.** While it creates a larger bill upfront, it requires the product to be resold to you each year. If you still love the service, try to negotiate a lower rate.
- **Look for alternatives.** Perhaps it is more cost effective to drop a group of premium channels in your online viewing lineup or replace cable with an online streaming service.
- **Eliminate overlap.** Many consumers now have multiple streaming services. Rationalize them and consider whether any could be eliminated. The same is true for gaming and music services.
- **Conduct a bill review.** A number of providers have multiple recurring charges within each bill! This technique is common with cell phone providers. So conduct an annual review of your bill with a service representative and look for a better deal.
- **Eliminate autopay.** This out-of-site, out-of-mind technique is wonderful for the recurring billers. Paying for a service each month is a simple reminder of the cost of the service and a subtle hint to assess the value of the service to you. So each year, turn off your autopay. Leave it off until you have conducted your annual review. If the service is still of value after your review, turn it back on again. ♦

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CLIENTUPDATE

SUMMER 2023

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Calling all taxpayers: Plan now or pay later

Procrastination is easy, especially when it comes to summertime tax planning. But waiting to implement strategies to reduce your 2023 tax obligations could cost you money. Here are some suggestions to help jumpstart your midyear review:

Safeguard your deductions

Ensure you can take deductions by keeping great records throughout the year. You'll need proof if you want tax breaks for things like childcare expenses, charitable contributions, gambling losses, vehicle costs and travel expenses. So create a system to keep track of these expenses.

Save more for retirement

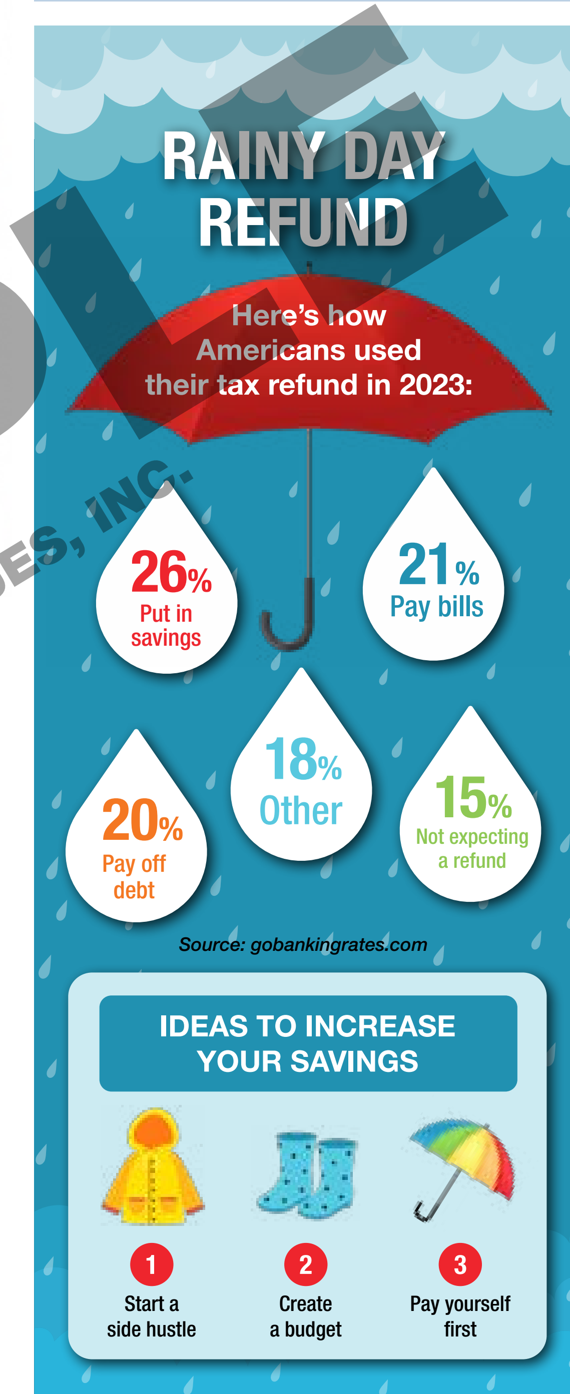
You can save more for retirement in 2023 thanks to inflation increasing annual contribution limits. You've even got time to increase the amount you set aside over the remainder of 2023. This year you can deposit up to $22,500 in your 401(k) and $6,500 into your IRA (additional catch-up contributions apply if you're 50 or older). You can also contribute to both a 401(k) and an IRA, though tax deductibility on IRA contributions may be limited depending on your income.

Be tax-savvy about school savings

If you're setting aside money in a taxable account to pay for your child's school expenses, you could realize tax savings by opening a 529 education savings account. The sooner you do this, the sooner your earnings will start growing tax-deferred. Your earnings will also generally be tax-free when withdrawals are used for qualified education expenses.

Adjust your withholdings and estimated payments

If you haven't already, update your withholdings and estimated tax payments to reflect any changes needed since last year. Updates may be in order if you experience a big life event, such as marriage, divorce or a new job. Overpaying your 2023 tax reduces the cash you have on hand throughout the year, and underpaying can lead to penalties and interest.♦



IRS Update

Time running out to claim $1.5 billion in refunds for 2019 tax year

The IRS announced that nearly 1.5 million people have until July 17, 2023 to claim refunds for the 2019 tax year. The IRS estimates almost $1.5 billion in refunds remain unclaimed because people haven't filed their 2019 tax returns yet. Under the law, taxpayers usually have three years to file and claim their tax refunds. If they don't file within three years, the money becomes the property of the U.S. Treasury.

But for 2019 tax returns, people have more time than usual to claim their refunds. The normal filing deadline to claim old refunds falls around the April tax deadline, which in 2023 was April 18th. But the three-year window for 2019 unfiled returns was postponed to July 17, 2023 because of the COVID-19 pandemic.

Interest rates remain the same for the second quarter of 2023

Interest rates for the second quarter in 2023 will remain the same compared to last quarter. These rates include: 7% for overpayments (6% for corporations); 4.5% for the portion of a corporate overpayment over $10,000; 7% for underpayments and 9% for large corporation underpayments. ♦

Tax Calendar

June 15

☐ Second installment of 2023 individual estimated tax is due.

September 15

☐ Third installment of 2023 individual estimated tax is due.

Help others stand up against scams

While anyone can become a scam victim, fraudsters usually turn to one demographic above all others: older adults. Here's a look at some of the more common scams, along with some ideas to stand up against these would-be thieves.

The top scams that target older adults

According to the National Council on Aging, here are the most common financial scams that target older adults:

- **Government impersonation scams.** Scammers will call and pretend to be from the IRS, Social Security Administration, or Medicare. The scammer may say the victim has unpaid taxes and threaten arrest or deportation if they don't immediately pay up or threaten to cut off Social Security or Medicare benefits if they don't provide personal identification. Once this information is obtained, it can be used to commit identity theft.
- **Sweepstakes scam.** The victim receives a call or message saying they've won a sweepstakes contest or lottery prize. As a condition of winning, victims are required to send money up front to cover tax and processing fees.
- **Phone scams.** Scammers will call the victim and say, "Can you hear me?" When the victim responds "Yes," the scammer records their voice and hangs up. The scammer now has a voice signature to authorize charges on items like stolen credit cards.
- **Computer tech support scams.** These scams target a lack of knowledge about computers and technology. A scammer may proactively reach out to a potential victim by communicating via a pop-up window that says the victim's computer or phone is damaged and needs to be fixed. When the victim calls the support number for help, the scammer may request remote access to their computer or phone, and demand a fee to repair it.
- **The grandparent scam.** Scammers will call and build rapport by pretending to be the victim's grandchild. They eventually ask the victim for money to help with an urgent financial problem.
- **Romance scams.** A scammer will build a relationship with the victim via social media or an online dating website before asking for a large sum of money. The Federal Trade Commission reported that losses to romance schemes reached a record $304 million in 2020, up 50% from 2019.

How you can help

If you know someone who could be a target, consider establishing regular get-togethers so you can inform them of these activities, ask if they have any financial (or non-financial) questions, and find out if they received any suspicious communication that may be a scam.

If you think someone has been scammed, follow these steps to report the theft:

- Call banks and credit card companies
- Reset account passwords
- Call the police to report stolen property
- Report the scam to the U.S. Senate Special Committee on Aging
- Report to the U.S. Justice Department's National Elder Fraud Hotline
- Submit a consumer complaint to the Federal Trade Commission

Make your child's summer break a tax break

As a busy working parent, you may be on the lookout for activities that are available for your kids this summer. There may be a solution that's also a tax break: Summer camp!

Using the Child and Dependent Care Credit, you can be reimbursed for part of the cost of enrolling your child in a day camp this summer.

Who is eligible

1. You, and your spouse if you are married, must both be working.

2. Your child must be under age 13, your legal dependent, and live in your residence for more than half the year.

Tip: *If your spouse doesn't work but is either a full-time student, or is disabled and incapable of self-care, you can still qualify for the credit.*

The potential savings

For 2023, you can claim a maximum credit of $1,050 on up to $3,000 in expenses for one child, or $2,100 on up to $6,000 in expenses for two or more children.

What camps qualify

The only rule is: no overnight camps.

The credit is designed to help working people care for their kids during the work day, so summer camps where kids stay overnight aren't eligible for this credit.

Other than that, it doesn't matter what kind of camp: soccer camp, chess camp, summer school or even day care. All of these are eligible expenses for this credit.

Other ways to use this credit

While summer day camp costs are a common way to use this credit, any cost to provide care for your children while you are working may be eligible.

For example, you can use this credit to pay a qualified day care center, a housekeeper or a babysitter to take care of your child while you are working. You can even pay a relative to care for your child and claim the credit for that expense, as long as the relative isn't your dependent, minor child or spouse.

This is just one of many possible tax breaks related to children and dependents. Please call if you have questions about this credit, or if you'd like to discuss any other tax savings ideas. ♦

Tax tips for your summer job

✔ **Take advantage of tax-free earnings limits.** If you anticipate making less than the annual standard deduction ($13,850 for single taxpayers in 2023), none of your earnings are subject to federal taxes! If possible, earn at least that amount each year to maximize your tax-free earnings. Remember, this only applies to earned income like your summer job. These rules do not apply to sources of income such as interest income or dividend income.

Tip: *If your annual earnings will be less than the standard deduction, you can claim EXEMPT on your Form W-4. That prevents federal income taxes from being withheld from your paycheck.*

✔ **Review the need to make estimated payments.** As an independent contractor, you are responsible for paying all the taxes on your earnings. This is done by making quarterly estimated tax payments to the IRS using Form 1040-ES. In addition to income taxes, contractors also need to pay a self-employment tax of 15.3% of earnings at the federal level. You may also need to pay estimated taxes at the state level.

Tip: *Track your expenses and save receipts. By doing this, you can subtract eligible expenses like mileage and supplies from your gross earnings. Use this lower income number to calculate your self-employment tax and correctly estimate your income tax obligation.*

✔ **Closely monitor tax withholdings.** As an employee, your employer withholds taxes based on what you claim on Form W-4. The tax tables used by this form to calculate your withholdings unfortunately do not account for seasonal jobs. This typically results in paycheck withholdings being too low for supplemental income workers and too high for students working during the summer.

Tip: *If you anticipate earnings in excess of the standard deduction, request a revision of your withholdings. Use tools on the IRS web site, review last year's tax return, or ask for help to estimate the correct amount to withhold. From there, ask your employer to increase or decrease your federal and/or state withholdings.* ♦