

Year Round Tax Savings Strategies

Here are some ideas that you can use throughout the year to make April 15th less taxing:

1. **Be organized.** Having your records in a usable manner will make preparing your return easier and may help you with deductions you might have forgotten about. Consider using a software program like Quicken or Microsoft Money to keep you organized. You should also keep a file of receipts and other records you know you will need.
2. **Be sure to contribute to your 401(k) plan.** By deferring wages into your plan, you will keep your taxable income lower, save money for retirement, enjoy the benefits of tax-deferred compounding of earnings within the account and probably get some form of "match" from your employer.
3. **Use proper withholding and estimated payments.** While getting a large tax refund is nice, it usually is not too smart to let the government hold your money until they refund your overpayment. There are rules about how much you must have withheld or paid in estimates to avoid IRS penalties. You may want to consult with your accountant to make sure you are properly covered.
4. **Consider giving appreciated stock to charities.** If you plan to make significant contributions to a charity and have some stocks you are holding at a gain, you may want to consider giving the stock instead of cash. You can get a charitable contribution for the fair market value of the gift and not have to pay tax on the capital gain. There are some rules that apply, so consult your advisor.
5. **Contribute to your IRA early.** The earlier you contribute, the sooner the earnings become tax deferred.
6. **Manage your itemized deductions.** If your level of itemized deductions is close to what is needed to use them, consider bunching deductions every other year.
7. **Use tax-advantaged borrowing.** Not all interest you pay is tax deductible. The interest paid on your mortgage and home equity loans gets treated better than interest paid on credit cards. Also, there may be some tax deduction benefits to margin loan interest.
8. **Be careful of mutual fund taxation.** Even though mutual funds pay no income taxes, you as a shareholder must report all distributions you receive. Mutual funds must distribute dividends, interest and net capital gains. If your fund has experienced much turnover within the portfolio, there may be capital gain distributions regardless of whether the fund's value has increased or fallen.

9. **Consider tax-exempt bonds.** The interest on bonds issued by state and municipal entities is exempt from federal taxation.

10. **Get help early if you have any complications.** If you have stock options, think you may be subject to the alternative minimum tax or are expecting any unusual tax items, talk to your tax advisor early in the year. Proper planning may help you avoid unpleasant surprises next tax season.