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Tax changes make sound planning more important

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GUEST VIEWPOINT



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around the corner: tax season.

With our annual tax obligations again looming just a few months away, the time to start getting your financial house in order is now. With new 2010 legislation already having a significant impact and a number of new tax preparation and filing changes in store for this year, planning ahead of time is more important than ever.

The end-of-year passage of new tax laws and the implementation of a number of new procedural and financial guidelines mean that the tax filing landscape will look quite a bit different to some folks. From dollars to deadlines and from paperwork to preparation, the tax season will require a little extra planning. While there are a number of new and evolving issues to be aware of, and a corresponding number of tax planning, preparation and filing strategies that can help save you both time and money, a few important issues stand out. The following tips will help you better understand some of the changes that are in store and explain a little bit about what those changes might mean to you.

Check your calendar

This year, timing is something that many tax payers need to be aware of. While the tax-filing deadline is April 18 this year instead of April 15 (a result of a Washington holiday), millions of people will have to wait to file their returns until

mid-February. The delay is necessary to give the IRS time to make changes to its systems and software in response to the last-minute December tax legislation.

Any taxpayer who itemizes his or her deductions—which includes everything from mortgage interest to charitable donations—will be affected by the delay. But while the delay may be a little frustrating—especially to those taxpayers who like to file early and look forward to a welcome tax refund check—the recently announced 2011 filing delays don't mean you have to sit around doing nothing. It's a good idea to get started now by gathering your paperwork and documentation.

Get plugged in

It's a reflection of the increasingly tech-savvy world in which we live that electronic filing is more popular and easier to use than ever. In fact, the IRS won't be sending forms in the mail this year, a true sign that e-filing is on the rise. In 2010, approximately 70 percent of individual tax returns were filed electronically. This year, eligible taxpayers, which includes anyone with a 2010 adjusted gross income no larger than \$58,000, can file their returns online for free through the IRS Free File program. Even if you do not meet the IRS criteria for free online filing, there are a number of affordable and secure online resources and tax preparation guides can help make your 2011 filing more accurate, convenient and efficient.

Make a contribution

While 2010 is in the rear-view mirror, there is still time to maximize your money. Taxpayers have until April 15 to contribute to a Roth IRA. While these contributions are not tax-deductible, withdrawals are largely tax-free and a Roth IRA has fewer withdrawal restrictions and requirements than a traditional IRA. Be sure to remember the Roth IRA contribution limits as you don't want to contribute too much to your Roth IRA, and be sure to notify your broker that this contribution is for the 2010 tax year. By default they will consider it a 2011 contribution unless notified otherwise.

Waste not, want not

For anyone who takes advantage of a flexible-spending account or other similar system to help pay for child care and medical expenses, now is the time to make sure that you have your receipts and documentation in order for your 2010 spending. If you haven't maxed out your spending account, some programs will allow you a grace period; find out if your plan allows you to count expenses from the first part of 2011 toward your 2010 plan. Remember that expenses reimbursed through your insurance may not be deducted.

Keep it together

Keeping great records and staying informed and engaged is the single best way to make your tax planning, preparation and filing a smoother, more profitable endeavor. While great documentation and staying abreast of the latest policy changes are important in any year, it is particularly helpful in a year like 2011.

Whether you consult with a trusted tax planning professional or financial adviser, or simply make an effort to utilize some of the many powerful and educational tools and guides in print and online media, educating yourself about the full scope of changes in store for this year is the best "return" on investment you can make right now. ■

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