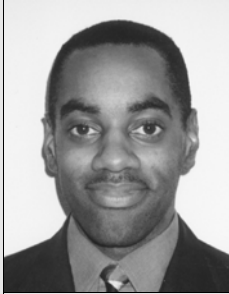




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Volume I



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Financial Advisor

### Stewardship Emphasis

*The winner of the game is not necessarily the one who collects the greatest number of coins but the one who is able to keep more of the coins that he collects.*

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**The Empowerment  
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## Tips to Increase Your Tax Smarts

Good morning! It's August. Do you know how your taxes are? This would seem like an odd time of the year to talk about taxes since Tax D-Day has already come and gone, but tax planning should be a more than once a year event. For many people April 15<sup>th</sup> is either a very happy day or a very sad day, depending on whether or not you owe money to the government in taxes. One of the reasons that day determines most taxpayer's moods is precisely that other than "tax time", the subject rarely enter their minds - other than every time they look at what's left of their paycheck, of course. If you want to increase your chances of not just being happy for the big refund during tax season, but instead knowing that you did the best you could to minimize the impact of taxes on your finances, the next 3 issues of The Empowerment Channel will give you some tips on how you can be tax-wise in your approach.

### **Tip #1 – Collect and File Relevant Tax Information as you go**

You've probably seen it or perhaps it's you – the person who arrives at the tax preparer's office with a grocery bag of seemingly unrelated, unorganized, and sometimes un-readable paperwork that they empty out on the desk of the poor soul who has to do their tax return. Make your life and the life of your accountant or tax preparer easier by taking just a little time over the course of the year to put your important tax papers into an orderly system. As those tax related items come in – like the stub for your state tax refund, property tax receipts, confirmation stock or fund sell transactions, etc. – put them in some type of tax file that you can easily manage. Whether you have your taxes prepared or do them on your own, this will speed up the time it takes to do your taxes when the time rolls around, and that can be a real advantage to you.

### **Tip #2 - Withhold taxes smartly and avoid the interest free loan**

The first thing to emphasize here is that if it is around tax day and you realize you are getting a big refund, happiness is not the feeling you should have. Yes, it is always nice to see a big check with your name on it, but the problem here is that your refund means the government was using your money all year, and secondly by waiting until the tax filing deadline, you gave the government 4-1/2 more months to borrow your money.

While you may not be able to withhold the exact amount of taxes owed, doing a little planning at the beginning of the year and checking back as the year rolls on is the key to avoiding this situation. Breaking up your income into what you know (the fixed) and what is unknown (the variable) can help you get into the right ballpark. Most people can say with decent accuracy what their wage or salary income will be for a given year, so for Part 1 of this exercise use that figure as a base for your taxable income. For Part 2, you have to make some educated guesses on items like overtime pay, interest and dividend income, gains on sales, and for the entrepreneur self-employment income. Once you have estimated your total income and factored in the deductions you expect to have, you can narrow down your expected taxable income and your expected taxes due. The final step is to look at the amount withheld from of your pay and see if the annualized amount of withholding will put you close to the taxes due. If withholding is too high, adjust the exemptions you claim to a higher number, and if too low, adjust your exemptions lower. Then as you go through the year, revisit your income estimates against your withholdings to get closer to where you need to be and to get you out of the lending business.

*In the next issue, we will look at a couple of opportunities to increase your deductions and some issues to consider if you are planning on an IRA Rollover from an employer retirement plan.*



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