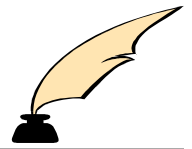


# Accountants' Notes



Volume 10, Issue 3

March 2008

## BEFORE-TAX IRA EARNINGS

Contributing before-tax earnings to an IRA account can make a big difference in your retirement savings, since you can defer paying taxes on whatever your investment earns in an IRA. If your investment pays dividends or has capital gains distributions (such as some mutual funds), you avoid paying taxes on these gains. If you expect your tax rate to drop after your retirement, because you have less income, your savings could amount to an even bigger nest egg.

You may contribute up to \$5,000 of your earnings or up to \$6,000 if you are age 50 or more. If your modified adjusted gross income is above a certain amount, your contribution limit may be reduced.

If you earn an income from wages or your own business and you're under the age of 70-1/2, you can open a traditional IRA. For lower income earners, the contribution itself may be deductible. Contributions can be made for the prior tax year until April 15th.

## 2007 INDIVIDUAL INCOME TAX RETURNS

April 15th is the deadline for taxes to be filed. If your taxes are not in to us by April 3rd, we will have to file an extension for you. Please give us a call to schedule an appointment so that we can get your taxes completed in a timely manner.

An extension does not extend payment of taxes due. If you are uncertain, please set an appointment and we can calculate an estimate for you.

## **DID YOU KNOW?**

If you have a child with special needs, here are three steps to consider to ensure their financial future:

- *Write a will and name a guardian.* By failing to plan, you're leaving the decision up to the court system.
- *Set up a special-needs trust* so that you or anyone else who wants to provide financial assistance can do so without endangering your child's eligibility for government support in the future.
- *On their 18th birthday, act.* First, apply for SSI benefits for your child before he or she enters the work force. Second, you may need to go to court to be named your child's guardian.

## **KEY PHONE NUMBERS**

### **IRS Forms & Publications**

1-800-829-3676

### **IRS Tax Information**

(Status)

1-800-TAX-1040

[www.irs.gov](http://www.irs.gov)

### **State of Ohio Information**

1-800-282-1784

[www.state.oh.us/tax/](http://www.state.oh.us/tax/)



## 2007 CORPORATE TAX RETURNS

Remember that your corporate tax returns are due **March 17th.**

If you have not provided us with your information and wish us to prepare your tax returns, you must contact us immediately as we will need to file an extension by March 17th.

## Winfree, Ruff & Associates, Ltd.

Lancaster Office  
Phone: 740-681-1676  
Fax: 740-681-1672

Pickerington Office  
Phone: 614-837-8291  
Fax: 614-837-5144

Baltimore Office  
Phone: 740-862-2258  
Fax: 740-862-2208

## New Year's Financial Resolutions! (Part Three)

If you missed Parts One or Two, please refer to the January and February Newsletters at [www.winfree.net](http://www.winfree.net).

### 5 years before retirement.....

So you want to retire in five years? Sounds great! Do all the things you have dreamed of. Travel, relax, enjoy hobbies, enjoy the grandchildren, live life to the fullest! Will you be able to afford your dreams or will you be strapped for cash?

Not to sound like a broken record, but once again, the key to this phase is "Budget". How much will you need monthly to live at your desired comfort level? Where is the income going to be coming from? Employer sponsored retirement plan? (Thrift and Savings Plans, 401(k), SIMPLE IRA plans, stock bonus plans, pension plans) IRA? Roth IRA? Stocks? Investment withdrawals? Are you currently taking advantage of employer sponsored retirement plans to save for retirement? (Especially if your employer offers any type of matching funds....that's free money!) Are you utilizing tax-sheltered retirement vehicles? (i.e. IRA's, Roth IRA's). Will your projected retirement income be enough to cover your expenses?

Maybe your expenses are too high now and that is restricting your ability to sock money away for retirement. A complete analysis of the budget is extremely essential to ensure that you have not forgotten anything and to evaluate the necessity of all expenses. At this point in time, your budget should be expanded with a side-by-side comparison of "today's" budget and your "projected retirement" budget. Let's start with a few more questions:

- Where you want to live? Do you have a mortgage? If so, how much longer do you owe on it? What is the interest rate? Do you want to move? How will you finance the new place?
- How are your cars? New? Fair? Or ready to die? Do you have a car payment? If so, how much longer? If you do not currently have a car payment, are you making a payment each month to yourself to save for your next vehicle? Are your car repairs about equal to a car payment?
- Do you have any credit cards or consumer debt? What are the interest rates? Are you able to pay extra each month or do you make the minimum payments?

Once a complete analysis has been completed, the next step is to determine the game plan to work towards a balanced budget. Typically, you can:

- Refinance mortgages to lower payments.
- Sell off excess assets, collectibles, etc., to strengthen your retirement years.
- Reduce debt cash flow requirements by reformatting terms and lengths.

What changes need to be made to "today's" budget to help generate more income for your "projected retirement" budget?

To be continued.....



Happy St. Patrick's Day

