15th Anniversary Edition

2019 FINANCIAL FITNESS KIT

TAKE YOUR FINANCIAL FUTURE TO NEW HEIGHTS

OSCPA Oklahoma Society of CPAs

FROM YOUR FRIENDS AT THE OKLAHOMA SOCIETY OF CPAs
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	Quail Creek Bank	www.QuailCreek.bank	(405) 755-1000
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	Oklahoma Office of Homeland Security	www.ok.gov/homeland	(405) 425-7296
	Disaster Recovery Resources	http://bit.ly/2m6iFOJ	

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About the Oklahoma Society of Certified Public Accountants

The Oklahoma Society of Certified Public Accountants (OSCPA) is the only statewide professional organization for Oklahoma CPAs. Formed in 1918 with a charter membership of 31, we unite more than 6,000 CPAs in public practice, private industry, government and education. All members hold certificates issued pursuant to the laws of the state of Oklahoma or of other states and subscribe to the Code of Professional Conduct embodied in the bylaws of our organization. The OSCPA works with the Association of International Certified Professional Accountants (AICPA) to promote financial education, as part of the CPA profession's nationwide 360 Degrees of Financial Literacy program (360FinancialLiteracy.org).

The OSCPA is offering general information for managing money and does not recommend specific actions. Please note the time of this book's publication and that **tax laws change frequently**. For financial advice tailored to your situation, please contact a CPA. For a free referral and 30-minute consultation in Oklahoma, please visit FindYourCPA.com. In compliance with Treasury Department Circular 230, unless stated to the contrary, any federal tax advice contained here was not intended or written to be used and cannot be used for the purpose of avoiding penalties.

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The 2019 Financial Fitness Kit is brought to you by the Oklahoma Society of Certified Public Accountants in cooperation with the Oklahoma Jump$tart Coalition and Money Smart Week.

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CHAPTER 1: FAMILY FINANCIAL MATTERS

HSAs MULTI-GENERATIONAL FAMILY
TEEN DRIVER AGING PARENTS KIDS
SUMMER JOBS DIVORCE DAY CARE
LOANING MONEY CAR INSURANCE
FIRST CAR

THE RISING COST OF DAY CARE:
5 OPTIONS FOR MANAGING COSTS

The cost of child care in the U.S. has climbed dramatically over the last three decades. Unfortunately, wages aren't keeping pace with the skyrocketing increases, and working parents are struggling to keep up. According to a report released by ChildCare Aware of America, the average annual cost of full-time child care for an infant in a day care center in Oklahoma was $6,572, which was nearly the average cost for public college tuition in the state ($7,450).

The annual cost of child care represents a significant expense and paying for it is a challenge for many families. It's important to analyze how much you're paying for child care. There are tax credits you might be able to use and you also want to ensure you're using your child care budget in the best way for your family.

Don't assume that the local day care center is the only option for child care. A variety of alternatives exist that provide great care—and possibly savings. What works best for you?

- **A nanny:** Depending on where you live, a nanny's hourly rate to look after two or more children may actually be more affordable than enrolling each child in a day care, preschool or an after-school program. Sharing a nanny might be another option if you have a friend who is in a similar situation.
- **An au pair:** An au pair is a nanny who lives with you in exchange for room, board and a small fee. If you have space in your home, this can dramatically reduce your child care costs, especially if you have multiple children.
- **Flexible work arrangements:** Talk to your employer. Adjusting your work schedule—or your spouse's, or both—might help reduce the need for child care.
- **Telecommute:** Working from home even one day a week can also help cut costs. Approach your employer with a proposal that benefits both of you.
- **Stay home:** At some point, you need to crunch the numbers to see if it makes sense for either you or your spouse to stay home instead of paying for child care. It's not a straightforward decision that can be made simply by looking at how much you'll save on child care. Other expenses to consider are clothing, gasoline, parking, car maintenance and even taxes if your family's second income pushed you into a higher tax bracket. The flip side is you might have less money to set aside for retirement, savings or luxuries like vacations. You'll need to decide what trade-offs you're willing to accept.

9 TIPS FOR TEACHING KIDS
ABOUT SENSIBLE SPENDING

Have you talked to your children about the value of money and the importance of managing it wisely? All parents hope their children will grow up to make prudent use of their money, yet few actually spend time talking to them about how to accomplish these goals. According to the AICPA, parents are more likely to have talked with their children about good manners, smart eating habits, the importance of good grades, the dangers of drugs and alcohol and the risks of smoking than about sensible spending. If you're not sure how to get started, here's some advice:

1. **Don't wait.** (Suggested for ages 4 +) Even young children are able to understand what it means to build—or save—toward a goal, such as a toy or trip to an amusement park, especially if such an item tops their wish list. Parents can help by encouraging their children to set aside money they receive for birthdays or holidays to save up for a special purchase. Older children can save money earned from afterschool or weekend jobs, and parents can give younger kids small jobs to help them earn money.
2. **Make it fun.** There are lots of apps available to help your kids learn the joy of earning, saving and spending. If you don't want to use apps, help your children create colorful charts that monitor their progress or illustrate the chores they can do around the house to earn money. By working and contributing to the family unit, they will begin to understand how money works and its value. Suggest your child draw a picture of what he or she is saving for and use it to decorate the piggy bank or jar holding the savings.
3. **Turn it into a family project.** Talk to your children about the steps you take to save toward long-term goals or to cut down on your expenses. You can involve them by giving them a grocery list and asking them to find coupons for items on it. Take them to the store and comparison shop, even if you have a coupon. Figure out how much was saved and reward them with a portion of the savings.

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Cont. from 3

4. **Understand their priorities.** Long-term objectives, such as saving for college, likely won't mean as much to your child as more immediate goals, such as a new bike or the latest video game console. So, while it's a good idea to show them their college savings account statement and discuss how and why you contribute to it, remember that they will get more excited about shorter-term rewards.

5. **Repeat often.** Dealing with financial issues is part of everyday life for adults, which means there are a lot of teachable moments available. Talk to your children about how you manage your money, including your efforts to save for short-term goals, like the family's annual holiday budget, and long-term objectives, like college or retirement. Point out some of the ways you save money each day, such as bringing a brown-bag lunch to work or carpooling with coworkers. This kind of dialogue helps introduce them to good habits that will last a lifetime.

6. **Teach restraint.** Encourage them make and be responsible for their own decisions while explaining the rewards, enjoyment or consequences of those decisions. Develop a budget (suggested for ages 8+). Coach and give them opportunities to make decisions on how to spend a portion of their savings. Teach them to save up for a "big" want. Set up jars for giving, saving, and spending. Discuss terms such as loan, debt and interest.

7. **Don't underestimate their ability to understand.** Discuss taxes, investment, credit score, stock, 401k (use 401k concept with the child's savings plan, offering a match as an employer does for their employees as an incentive for the child to save). (Suggested for ages 10+).

8. **Keep records.** Keeping a record of discussions will help you remember and clarify details of what was discussed and will aid in implementation, monitoring and establishing next steps in helping your child become a financially responsible adult.

9. **Stand your ground.** Of course, your children won't have much motivation to save if you buy them a toy whenever they ask or pull money out of your wallet whenever they want to meet friends for pizza. Although it can be hard to say no, keep in mind that by doing so, you are helping them learn how to budget and about the value of delayed gratification, as well as how to be content and embody the spirit of gratitude.

BEWARE BEFORE YOU BUY:
6 CONSIDERATIONS FOR KIDS' CELL PHONES

Have your kids started asking for cell phones or mobile devices of their own? Usage of mobile devices is growing among the younger set. GrowingWireless.com reports children are about 12 when they receive their first mobile device and more than half of children 8 to 12 have a cell phone.

Here's advice for parents considering taking the plunge and getting a mobile device for their child.

1. Decide whether your child is ready.
Age is one thing to consider, but so is maturity level. Is your child up for the responsibility of owning a mobile device? A phone is a big obligation. Before making a purchase, it wouldn't hurt to go over a few rules for owning a mobile device. You can make up your own rules or see a sample set at www.ahaparenting.com/ages-stages/tweens/cell-phone-rules-safe-responsible-kids.

2. Will you go with pre-paid or add a second line?
There are many options available, but you should determine which would work best for your budget and your child's needs. One option is to go with pre-paid service. With this type, you only pay for a certain amount of minutes at a time, but if your child uses the phone often, you might be bugged to pay for additional minutes. However, you also won't have to worry about your child racking up extra charges on the monthly bill and there is no contract involved. If the child wants a phone with all the bells and whistles, then the phone prices are usually hefty because you pay the regular retail price. Another option is by adding another line to your account, it can be a more economical choice in order to get a phone with all of the features, plus you may be eligible for a family discount. These plans also offer discounts on phones.

3. Should there be limits?
Do you want to limit the amount of time your child can be on the phone? Going with a plan that has only a certain amount of minutes might be a good choice. However, if the child goes over the allotted minutes, fees can mount quickly, especially if you aren't closely watching the usage. On the other hand, if you choose an unlimited plan, you aren't likely to have any additional fees, but you'll usually pay more for the plan each month. If possible, provide the child with a basic plan and applicable costs. If they desire more bells and whistles, make sure they meet your approval, then require them to pay for those features. This will encourage responsibility and will allow them to determine how important the add-on is to them.

4. Is it all about the data?
Besides talking, do you want your child to text and have internet access on their mobile device? A phone without data may save you some money, but most want to send and receive

text messages. If you want your child to text or surf the web, you'll need to consider a data plan, which can also be limited or unlimited depending on your preference. Unlimited plans generally cost more than plans that are limited.

5. What about parental controls?

Most major phone carriers have parental controls that can be purchased for an additional cost. While the features do vary for different providers, some allow you to view usage from a computer or mobile device. There is also a content filter available for browsing online and a GPS feature to locate your child. You can also limit contacts and block certain incoming messages. Certain mobile devices also have features within the phone that can be adjusted.

6. Safety is key.

While we know it's dangerous to text and drive, it's also unsafe to text while walking and not paying attention to where you going. Unknown callers or texts from strangers should be verified before responding, and kids should be extremely careful about giving out their phone numbers. It also doesn't hurt to remind them that they need to protect their phone by not dropping it or leaving it out where just anyone can have access. However, because kids will be kids, you may want to investigate device insurance through your carrier. For a monthly fee, you can often insure your device, but there are usually additional costs involved and, as with any insurance, there are limitations.

TIPS ON BUYING A TEEN'S FIRST CAR

A major milestone in a teen's life is earning a driver's license. If you have a newly licensed driver in the family, you may be discussing your family's car situation and wondering if you need to add another set of wheels.

CHECK YOUR BUDGET.

The driver's test has been passed and it's time to talk cars. Before sitting down to talk to your teen, take a look at your finances to see what fits your budget. Consider purchasing a car for which you can pay cash immediately to avoid monthly payments. However, if you can't do that, decide if you can you afford to add a monthly car payment to your budget. What about the added expenses for insurance, gas and maintenance? This would be a great time to sit down with your CPA and discuss your finances. Determine to what extent the teen will have "skin in the game," or be contributing financially to the purchase, insurance, taxes, gas and maintenance. If a car payment fits into your budget, do you want to buy a gently-used or new car for your teen?

KNOW YOUR OPTIONS.

What if your teen saved up some money for a car and you matched it? Have you thought about buying a car for yourself and giving the older car to your teen? If you go that route, at least you would know the car's history and your teen would already be familiar with the car. If you decide to get a car and need a car loan, talk to your bank before looking at cars. You might get a better financing rate and it could be a bargaining chip to use in order to get the best rate available at the dealership.

Some parents may feel like leasing a car is a good option to immediately offer a newer car with the latest safety features at a lower monthly cost. However, note that at the end of a three-year lease, you have to turn the car back in to the dealer. At that time, you would be financially on the hook for every scratch or ding, as well as any miles driven over your contract amount. Further, you likely would have shelled out around $10,000 in monthly lease payments and would suddenly need to start over. On the flip side, had you purchased a gently-used car for that amount, you likely would have paid the same amount over the course of the lease and would then have a car you could trade in on a newer model or have a car that is paid off for your young adult who now doesn't have to worry about monthly car payments.

HAVE THE TALK.

If you decide to purchase a car for your teen, sit down and discuss what is financially feasible for your family's budget. Discuss payment, maintenance, insurance and consequences for tickets and other violations. When talking with your teen, remember what he or she has in mind may be completely out of your price range or not be the most dependable car model for a young person. It's best to get on the same page before you step foot on a car lot.

KNOW YOUR STUFF.

Before going out in search of a new or used car, get an idea of what you are looking for and make a list of what you want on a car then do some research. Thanks to the internet, you can look at cars on manufacturers' websites and most local dealerships. In addition, you can look up government crash test ratings online at the National Highway Traffic Safety Administration's website at SaferCar.gov or find top safety picks at the Insurance Institute for Highway Safety's website at iihs.org. You can also find out what a good price would be on a car given it's age, mileage and condition at Edmunds.com, kbb.com and others.

TAKE A TEST DRIVE.

After you have narrowed down your car choices, head to the car lot to take the cars for a spin. Take your teen along so everyone will get a feel for the car. Be sure to test a few cars before making a final decision.

IT'S TIME FOR NEGOTIATIONS.

After you do the research, take a test drive and find the one you like, you're better equipped to negotiate a price. Don't be afraid to ask for a better price or to walk away if you feel a deal can't be made. You can look at other dealerships and find a reasonable price you are comfortable paying.

KEEP RECORDS.

Keeping records of discussions will help you remember and clarify in detail of what was agreed upon in the car purchasing arrangement.

ADDING A TEEN TO YOUR AUTO INSURANCE? BE PREPARED.

If adding a young driver to your policy is in your future, you need to be ready for the added costs.

The Insurance Institute for Highway Safety Highway Loss Data Institute reports teen drivers crash three times more often than drivers 20 and older. The Oklahoma Department of Public Safety Highway Safety Office reports in 2017, 13,447 drivers between the ages of 16 and 19 were involved in motor vehicle crashes. Additionally, 62 of those drivers were involved in fatal crashes. It should be no surprise that adding a teen driver to your policy in Oklahoma will increase your rate, on average, 135 percent (insure.com).

While policies vary based on a multitude of factors, financial experts advise being prepared for the unavoidable expense of a teen driver addition. However, there are ways to save some money on their protection.

1. **Shop around.** Some insurers have better rates for younger drivers than others and the company offering you the lowest rates now may not be the one with the lowest rates when you add a teenager to your policy. You may qualify for a better rate if you switch before you add your son or daughter rather than after, so be sure and shop early. And, if you find a better rate, let your current agent know. He or she may be willing to offer you the same rate.

2. **Ask for discounts.** Most insurance companies, especially those that have been insuring your family for years, will offer safe driver, multi-car and good grade discounts. What's the good grade discount? Many insurers offer discounts—worth as much as 20 to 25 percent! — to students under 25 who maintain a B average or better. You will likely be asked to submit report cards occasionally as evidence so that you can maintain the discount. Safe driver? Lots of insurance companies start lowering rates when you go a few years without making a claim or who have had no at-fault accidents. Additionally, some offer safe driving courses you can take online or through a mobile app. There may be other discounts, but the key is to meet with your agent to find the discounts that work best for your family.

3. **Forgo the sports car.** All kids want to look cool to their friends, but insuring a sedan, especially one equipped with safety features like airbags, anti-lock brakes and daytime running lights, will likely cost much less than insuring a souped-up sports car. However, don't immediately buy an old beater. Insuring a car without key safety features, even if it's older, may be more expensive. And, let's be honest, is it really worth your peace of mind knowing your kid is in a car without those features?

   After narrowing down car choices, ask your agent for an insurance quote on each model. The Insurance Institute for Highway Safety has a list of best choices for teenage drivers starting at less than $20,000 and a good choices list starting under $10,000.

4. **Can you skip collision?** If your teen drives an older model car, it may be worth it to omit collision coverage because the cost of coverage may be more than the value of the car. If not, can you boost your deductible and put aside money each month for an emergency fund just in case you need to pay for damages?

5. **Increase your deductible.** Increasing a deductible generally lowers premiums but be sure the deductible is an amount you can afford to pay out of pocket should an accident occur. Compare premiums for keeping coverage with the cost to replace the car.

6. **Let your teen borrow your car.** Insuring a teen to drive your car as an occasional operator could be cheaper than insuring your teen as a primary operator on another car.

7. **Monitor their driving.** There are some aftermarket GPS-enabled devices available that allow parents to get daily report cards, location mapping, alerts, etc. They generally work with an app. (MotoSafety and Zubie). Also, some insurance companies can install a device that monitors your teen's driving habits and reports information (e.g., instances of speeding, seat belt usage, hard braking) back to the insurer. Do your research because some of the devices are free but carry an annual or monthly service fee and some devices can run about $100 and still have the service fee, so it depends on what you want out of your monitoring device.

8. **Make rules.** As a parent, set a good driving example and establish a safety policy. Be sure to communicate what the rules and restrictions will be. For example, there should be absolutely no texting while driving and the phone should have restriction features enabled for that rule. Also, include a zero policy on drinking and driving and determine how far your teen is allowed to drive. Discuss consequences of breaking these rules and other agreed-upon restrictions. Make sure the teen knows if rules are violated, he or she may also be financially liable for insurance increases and traffic tickets, in addition to fees and fines.

While it will likely increase a family's premium, it's important to discuss increasing liability coverage with your agent. This will provide added protection for the additional friends that will likely be riding as passengers while your teen is driving. Also, you're increasing your household risk by having an inexperienced driver on the road. Increasing your liability, say to a $1 million umbrella policy can protect your assets and future earnings if your child causes an accident that injures someone or damages his or her property.

7 TIPS TO MAINTAINING A HAPPY MULTI-GENERATIONAL HOME

Remember when parents, children and grandchildren all lived together in one home? Well, that trend has definitely returned. Almost 61 million Americans—or 19 percent of the population—live in homes that include two or more adult generations, or one that includes grandparents and grandchildren, according to Pew Research. That's nearly the same rate it was in 1950, and up from a low of 12 percent in 1980. A multigenerational home can be joyous and fun for the family, but it can also pose some challenges. Here are ways to make it work.

1. **Establish expectations and boundaries.** To minimize misunderstandings and hard feelings, it's important to determine responsibilities. Who is going to do the household chores? Will responsibility for meals and shopping be shared? It may make sense to assign responsibilities or ask family members to volunteer for the tasks they prefer. If there are more people than cars, how will vehicle use be determined? Also, determine privacy issues. Which sections of the house will be open to all and which ones are private? Who gets control of the remote? Should adult children let their parents know if they're going to be away for the night? Are there rules for bringing home visitors or entertaining friends? Start discussing questions like these and brainstorm others that apply to your own situation to ensure misunderstandings don't disrupt your happy household.

2. **Figure out finances.** Who will pay for what is another critical issue for discussion. If an aging parent or adult child moves in, will he or she be expected to contribute to rent or mortgage, groceries or other household costs? If they can't afford to pay, are there other ways they can contribute, such as helping out with home maintenance or child care? Once you've hashed out these issues, put your decisions in writing so there are no misunderstandings.

3. **Bring siblings into the conversation.** When one sibling moves an aging parent into his or her home, it makes sense to determine what kinds of responsibilities the other siblings will have, including paying for a portion of the parent's living or medical expenses. If the parent needs a great deal of care, families should also discuss whether siblings will help care for the parent on weekends or other times to give the primary caregiver a break and whether they will be on call to take the parent to doctor or other appointments. Spreading out responsibilities can prevent disagreements and help keep the main caregiver from feeling overburdened.

4. **Anticipate renovations.** It may be necessary to budget for renovations to accommodate the needs of aging parents. You might have to add a bedroom to the first floor if stairs will be a challenge, or to widen doorways for a walker or wheelchair. Bathrooms may need to be updated, too, to allow for accessible showers, sinks, and toilets. Whether the new resident is an older parent or an adult child, some kind of addition or renovation may be necessary.

5. **Agree upon maintenance.** Discuss house appearance and cleanliness. Decide who maintains what and in what areas. It's a good idea to also put these in writing to avoid misunderstandings.

6. **Don't neglect your own needs.** As you bring family members together under one roof, remember to keep doing what's best for your own financial future. That includes making regular contributions to your retirement plan, managing your debt wisely and continuing to save for other short- and long-term goals. Your time together will be more enjoyable if you feel secure about your own financial situation.

7. **Understand there will be differences in lifestyles and world views.** Recognize there are variances in how one sees the world depending upon age, geographical location, financial capability, background, religious preference and political and cultural influences. Respect each other's views and don't push your opinions on each other.

Planning ahead and talking through changes in circumstances are two of the best ways to succeed with and truly enjoy multigenerational living.

HOW DO I RESPECTFULLY DISCUSS FINANCES WITH MY AGING PARENTS?

Caring for your aging parents is something you hope you can handle when the time comes, but it's the last thing you want to think about. Whether the time is now or somewhere down the road, there are steps you can take to make your life (and theirs) a little easier. Some people live their entire lives with little or no assistance from family and friends, but Americans are living longer than ever before. It's always better to be prepared.

START THE CONVERSATION.

The first step you need to take is talking to your parents. Start the conversation early. Empathize with their thoughts and feelings. To the extent possible, put yourself in their shoes and honor and respect them. Allow them to be part of the decision-making process. Also, include other family members when possible. Find out what their needs and wishes are. In some cases, however, they may be unwilling or unable to talk about their future. This can happen for a number of reasons, including:

- Incapacity;
- Fear of becoming dependent;
- Resentment toward you for interfering; and/or
- Reluctance to burden you with their problems.

If such is the case with your parents, you may need to do as much planning as you can without them. If their safety or health is in danger, however, you may need to step in as caregiver. The bottom line is you need to have a plan. If you're nervous about talking to your parents, make a list of topics that you need to discuss. That way, you'll be less likely to forget anything. Here are some things that you may need to talk about:

- Long-term care insurance: Do they have it? If not, should they buy it?
- Living arrangements: Can they still live alone, or is it time to explore other options?
- Medical care decisions: What are their wishes, and who will carry them out? Do they have health care directives?
- Financial planning: How can you protect their assets? Do they have a power of attorney?
- Estate planning: Do they have all of the necessary documents (e.g., wills, trusts)?
- Expectations: What do you expect from your parents, and what do they expect from you?

PREPARE A PERSONAL DATA RECORD.

Once you've opened the lines of communication, your next step is to prepare a personal data record. This document lists information you might need in case your parents become incapacitated or die. Here's some information that should be included:

- Financial information: Bank accounts, investment accounts, real estate holdings;
- Legal information: Wills, durable power of attorneys, health-care directives;
- Funeral and burial plans: Prepayment information, final wishes;
- Medical information: Health-care providers, medication, medical history;
- Insurance information: Policy numbers, company names;
- Advisor information: Names and phone numbers of any professional service providers; and
- Location of other important records: Keys to safe-deposit boxes, real estate deeds and, as applicable, location of passwords.

Be sure to write down the location of documents and any relevant account numbers. It's a good idea to make copies of all of the documents you've gathered and keep them in a safe place. This is especially important if you live far away, because you'll want the information readily available in the event of an emergency.

WHERE WILL YOUR PARENTS LIVE?

If your parents are like many older folks, where they live will depend on how healthy they are. As your parents grow older, their health may deteriorate so much that they can no longer live on their own. At this point, you may need to find them in-home health care or health care within a retirement community or nursing home. Or, you may insist that they come to live with you. If money is an issue, moving in with you may be the best (or only) option, but you'll want to give this decision serious thought. This decision will impact your entire family, so talk about it as a family first. A lot of help is out there, including friends and extended family. Don't be afraid to ask.

EVALUATE YOUR PARENTS' ABILITIES.

If you're concerned about your parents' mental or physical capabilities, ask their doctor(s) to recommend a facility for a geriatric assessment. These assessments can be done at hospitals or clinics. The evaluation determines your parents' capabilities for day-to-day activities (e.g., driving, cooking, housework, personal hygiene, taking medications, making phone calls). The facility can then refer you and your parents to organizations that provide support.

If you can't be there to care for your parents, or if you just need some guidance to oversee your parents' care, a geriatric care manager (GCM) can also help. Typically, GCMs are nurses or social workers with experience in geriatric care. They can assess your parents' ability to live on their own, coordinate round-the-clock care if necessary or recommend home health care and other agencies that can help your parents remain independent.

EVALUATE YOUR OWN NEEDS AND ABILITIES.

Establish family members' roles under present circumstances. What is each person's physical health, location to the parent(s), financial resources or kind of relationship with the parent(s)? What is each person's personality type and is each family member willing to step into an agreed-upon role?

GET SUPPORT AND ADVICE.

Don't try to care for your parents alone. Many local and national caregiver support groups and community services are available to help you cope with caring for your aging parents. If you don't know where to find help, contact your state's department of eldercare services. Or, call (800) 677-1116 to reach the Eldercare Locator, an information and referral service sponsored by the federal government that can direct you to resources available nationally or in your area. Some of the services available in your community may include:

- Caregiver support groups and training;
- Adult day care;
- Respite care;
- Guidelines on how to choose a nursing home; and/or
- Free or low-cost legal advice.

Once you've gathered all of the necessary information, you may find some gaps. Perhaps your mother doesn't have a health-care directive or her will is outdated. You may wish to consult an attorney or other financial professional whose advice both you and your parents can trust.

BE AWARE OF ELDER FINANCIAL ABUSE.

Elder financial abuse is a crime that deprives older adults of their resources and ultimately their independence. This type of abuse can take many forms including: forging an older person's signature, taking money or property, telemarketing scams or using an older person's property or possessions without permission. What are the warning signs of financial abuse? There are certain red flags you can watch for:

- Unusual activity in your parent's bank accounts, including large, frequent or unexplained withdrawals;
- New "best friends" who heavily influence your parents' financial decisions and oftentimes attempt to isolate them from other people;
- Sudden non-sufficient funds activity or unpaid bills;
- Belongings or property are missing;
- Legal documents, such as powers of attorney, which your parent(s) didn't understand at the time he or she signed them;
- Suspicious signatures on checks or outright forgery; and
- A caregiver expresses excessive interest in the amount of money being spent on your parent(s).

Elder financial abuse can be difficult to detect, particularly if your parent(s) lives alone with little assistance. If you suspect one or both of your parents are victims of financial abuse, there are steps you can take to help protect them. First, report the financial abuse to their bank and enlist their banker's help in stopping it and preventing its recurrence. Contact adult protective services in your parents' town or state for help (In Oklahoma, go to apspublic.okdhs.org or call (800) 522-3511). If fraud is involved, file a report with the local police department.

MONITOR.

Don't forget to periodically reassess to determine if prior conversations were appropriately implemented and adhered to and make adjustments to current circumstances as needed.

WHAT TO DO WHEN FRIENDS OR FAMILY ASK FOR MONEY

The Wall Street Journal recently reported more than a quarter (26 percent) of mortgage borrowers who used FHA loans received down payment assistance from a relative in the 12 months through September 2018. It's natural to want to help a friend or family member when they need financial assistance, but be careful. Money can drive a wedge into friendships and family relationships. Plus, there are tax-related considerations.

Review this advice before you commit to lending money, not only to ensure everyone understands the details of the loan, but also to reduce the likelihood of breaking a tax law.

THINK IT THROUGH COMPLETELY.

- Lend only what you can. Before you lend someone money, you need to evaluate your own situation. Can you afford it? Do not lend more than you can afford to lose.
- Don't take from your future. If you do not have cash on hand to make the loan, do not take the funds from your own retirement accounts.
- Communicate. Who else will be impacted by your decision? If you have a significant other, discuss the request with him or her.
- Ask questions. What is the money for? Money to cover an emergency car repair may impact your decision-making process differently than money for a risky investment scheme or a beach vacation.
- Be detail oriented. Your loan may be to a friend or family member, but treat it like a business arrangement. Agree on the loan amount, terms, interest rate, payment schedule and any penalties for late or missed payments. Determine what will happen if the borrower defaults.
- Write it down. Perhaps the most important step of all is creating a formal contract. Writing it down will help make everyone more accountable in the long run.
- Have a witness to the loan. Have the document signed and dated by you and the person you are lending the money to. Have the document notarized or at least have a third person sign off on it.
- Don't be afraid to say no. While helping your family and friends is a lovely idea in theory, someone who repeatedly needs money because of bad decisions and poor money management will not be further helped if you throw good money after bad. The greatest gift may be the gift of financial planning services. Keep in mind there is a reason the person is asking you for a loan instead of a lending institution or someone else.
- Let go. Once you have given the loan, acknowledge that you have no control. Don't obsess over how the money is spent. Just follow the terms of the loan, or you may find yourself angry and resentful.

BE CAUTIOUS OF CO-SIGNER REQUESTS.

Co-signing on a loan as opposed to handing over your own money may sound like a less risky way to help someone, but attaching your name to someone else's loan comes with potential pitfalls.
Be aware the loan would appear on the credit reports for both the borrower and the co-signer. That may reduce the amount of money you might otherwise be able to borrow and, if there are late payments, it would impact the co-signer. In the worst case scenario, if the primary borrower defaults on the loan, you would be the one responsible for repaying the loan and the negative information would appear on your credit report.

UNDERSTAND THE TAX IMPLICATIONS.

If you loan money and the loan is not repaid, you can usually deduct the money not repaid as a bad debt. To deduct bad debt, you must have documented the loan with a promissory note or other similar documentation of the terms of repayment, or the loan will be indistinguishable from a gift.

Be aware of any taxes you may be assessed if you decide to loan money. You may be subject to a gift tax if you lend someone more than $15,000, which is the amount set by the IRS for 2019. Spouses can combine their annual exclusions to double the amount of the gift. Consult a CPA to determine how you will be impacted by the loan. If your borrower defaults, be sure to document your attempts to collect the funds. You will need this information to write off the loan down the road.

If you don't charge interest on the loan, the IRS may get curious. And if the interest rate you do decide to charge is less than the most recent applicable federal interest rates, the loan can be considered a gift and trigger a taxable event on a federal income tax return. In addition, interest received by a lender of a loan is generally taxable. While the amount of interest payments on a personal loan may not be large, it is important to know interest payments on unsecured personal loans are not tax deductible.

TRUST YOUR JUDGMENT.

If you're feeling uncomfortable with the process of lending to a friend or family member, you may want to step back and reconsider. Maybe there are other ways you can help. Offering to buy groceries, donating a gift card, helping with a job hunt or connecting someone with a personal financial planner may help someone restart their financial journey on a positive note.

THE IMPACT OF A DIVORCE OR SEPARATION ON YOUR FINANCIAL LIFE

You know that divorce will have a significant effect on your life, including your finances. And that's a reality for a large number of people. There are around 800,000 divorces in the U.S. each year, according to the National Center for Health Statistics. If you're on the verge of separation or divorce, here are some tips for adjusting your finances for this major life change.

1. **Anticipate the costs.** Legal and other fees related to divorce can be expensive, which is why it's never too early to begin to understand how much you'll need to cover the costs of a split. If you plan in advance, you'll be in a better financial situation once the divorce is finalized. It's also a good idea to gather as much documentation as possible—such as tax returns, bank, investment and retirement account statements, and loan and credit card information—so you have the details you need to sort out your finances and negotiate any financial concerns.

2. **Be aware of a significant tax change.** Couples who are separating or divorcing should take into account a major change in the tax treatment of alimony that applies to divorce or separation instruments that are executed after Dec. 31, 2018. Under the old federal tax law, the person paying alimony was able to deduct those payments from his or her income and the person receiving alimony was required to include those payments in his or her income. Under recent tax reform, those rules have changed. For divorce or separation agreements beginning in 2019, the person paying alimony will no longer be able to deduct it, and the recipient will no longer have to include the alimony in his or her taxable income. It's critical for divorcing couples to consider the impact of this change in their tax and financial planning and to determine the best options for them.

3. **Revise your monthly budget.** Instead of pooling two incomes, after a divorce you'll be relying on your own earnings. You'll also be setting up your own financial life, opening new checking and savings accounts and possibly moving into and furnishing a new residence. To keep yourself on track amid all these changes, be sure to create a new monthly budget based on your income and expenses as a single person, so that you can start with a sound financial foundation. Within your budget, don't forget to include continued payments to savings and retirement accounts to ensure you have a financial cushion now and a nest egg when you retire.

4. **Build a new big picture plan.** Divorce can drive many changes that will influence your finances, including getting or changing jobs, downsizing your residence, relocating or revising retirement or other near- or long-term plans. After you've taken some time to adjust to your new life, step back and reconsider what larger changes may make sense to you. Do you still need the same big house? Do you still have the health care coverage you need? Are you on track for retirement? These are the kinds of issues you should examine in building a new plan for your future.

5. **Know your emotional needs.** There is a lot to think about when going through a separation, and it can be easy to get so focused on the concrete tasks, like paperwork, that you neglect the emotional aspects. Taking the time to plan out your finances can ultimately help prevent future stress, but it's also important to make time for yourself.

WILL YOU BE READY WHEN A DISASTER STRIKES?

What will it take to get you back on your feet financially in the event of an emergency? Whether it's a natural disaster, like an ice storm or tornado, or an accident like a fire or busted water pipe, a crisis can wreak havoc. You can get your financial life back in order by following these tips.

INSURE AGAINST POTENTIAL LOSS.

Having the right insurance can help lower your out-of-pocket costs. Homeowner's insurance can cover damage to your home or personal property due to a variety of mishaps, and renter's insurance can reimburse you for the loss of your own belongings when you don't own the residence yourself. If you're in a flood zone, find out if your policy covers floods or if you need additional coverage. Don't forget auto insurance, as well, to protect you from expenses related to road accidents and other types of damage, such as having a tree fall on your parked car.

SAVE UP FOR EMERGENCIES.

Even with insurance, you may be hit with a range of related expenses if, for example, you have to stay in a hotel or eat out until damage to your home or neighborhood is addressed, or if your insurance policy doesn't cover all your losses. An emergency fund with several months' worth of income can keep you on your feet after a disaster. It's also reassuring to have in case you or your spouse loses a job or is hit with any type of unexpected expense. Be sure the money will be easily accessible if you have to relocate after a disaster.

KEEP KEY DOCUMENTS SAFE.

What kinds of paperwork will you need in an emergency? Depending on the situation, it may be important to have information about your insurance policies, property records, financial accounts, medical records and contacts for family, doctors or other key people. Make a copy of critical documents you could need in an emergency and store them in a safe place outside your home. A safe deposit box at your local bank is one possibility, but also consider sending them to a relative or close friend outside your immediate area in case it's tough to get to your bank after disaster strikes your area. Saving copies in password-protected cloud storage is also a good idea.

ARRANGE TO KEEP BILLS PAID.

If you have access to online banking, set up automatic payments for recurring bills, such as those for rent or mortgage and utilities, so you can focus on more important daily concerns during a crisis. If you've lost your source of income temporarily or are going to have difficulties keeping up with bill payments for other reasons related to the disaster, contact your creditors immediately and explain your situation. Many may be willing to reduce or suspend your payments until you're back on your feet. Also contact your employer to find out whether the business has been affected and the company's plans for staying or getting up and running. If you'll be out of work because of the disaster, contact your state unemployment insurance office to see if you qualify for unemployment insurance. Learn about additional available government disaster relief assistance from sites like FEMA.gov or from the Small Business Administration site if you're a business owner.

CHAPTER 2: COLLEGE & YOUNG ADULTS

FINANCIAL AID
CAREER ASSESSMENT TUITION & BOOKS
STUDENT LOANS JOB
401K FLEXIBLE SPENDING ACCOUNT
EMPLOYEE BENEFITS JOINT ACCOUNT
EMERGENCY FUND
RENT OR BUY

WHAT IF MY STUDENT IS NOT "COLLEGE MATERIAL?"

College may not be the right investment for every high school graduate. According to a December 2018 Bankrate.com article, there is an estimated $1.5 trillion of outstanding student loan debt. In May 2018, StudentLoanHero.com reported the average student loan debt for Class of 2017 graduates was $39,400, up 6 percent from the previous year. With more and more students tacking on the equivalent of an expensive car payment each month, parents and students alike should give serious consideration to college expenses before assuming it's the best life path for their kid. Does it make sense for a student to incur the enormous expense of going to college only to find out it's not the right fit? There are other options for finding a satisfying career.

OKLAHOMA CAREERTECH SYSTEM

There are many jobs that may only require vocational or skills training. The Oklahoma Career Tech System is a network of 29 technology centers on 58 campuses in more than 90 instructional areas. It's a good way to get needed education for preparation to enter directly into specialized careers. For example, automotive maintenance, aviation maintenance, business technology, precision machining and welding are just a few of the programs offered. Some programs offer on-the-job-training and job placement assistance. Some centers offer free tuition for high school students and regular tuition costs for adult learners, but the tuition is usually lower than traditional college tuition. To get started, visit www.okcareertech.org for information, locations and the Oklahoma Career Guide (www.okcareerguide.kuder.com), an online tool offering assessments, occupation information, education plans and more.

MILITARY

The U.S. military offers multiple opportunities for college tuition assistance and military service is often a good way to learn discipline and skills prior to enrolling in college. Depending on how long someone enlists and the job he or she chooses, the Montgomery G.I. Bill can offer more than $50,000 to help pay for college. There's also a College Fund Program (also known as the Montgomery G.I. Bill "kicker") that can provide financial assistance. Additionally, the American Council on Education works with the Department of Defense to review military training and experiences and recommend appropriate transferable college credits. For additional information, visit www.schoolguides.com/the_military_helps_pay_for_college.html.

OTHER ALTERNATIVES

The United States Department of Labor, Bureau of Labor Statistics provides an Occupation Outlook Handbook located online at www.bls.gov/ooh that provides information about many types of jobs and careers. A user can research numerous jobs by pay level, education and needed training. It also reports the projected number of new jobs. One example is an elevator installer and repairer. Per the handbook, this position requires a high school diploma or equivalent entry level education and training may be available through an apprenticeship program. The median pay in 2017 was approximately $79,000 per year, which is quite a bit more than many college graduates earn. The job growth outlook for this field between 2016 and 2026 is 12 percent (faster than average, per the website), which means prospects of finding employment are good.

Unless your student knows exactly what career he or she wants to pursue and knows a college education is needed, parents can work out pros and cons of directly entering college. Even students ultimately earn college degrees, spending time learning a skill or trade while they identify ideal career paths is a smart move.

WAYS TO LOWER COLLEGE COSTS

College tuition can be very expensive, but when you're budgeting for higher education don't forget to include the many other costs you'll be facing. Here's a rundown of some of the most significant expenses to keep in mind:

- **Tuition:** Costs for public state schools are generally lower than for private ones, even if you go to a public school in another state, in some cases. Two-year colleges usually cost less than four-year ones. Expect to pay a variety of fees, too.
- **Room and board:** Don't overpay for meal plans that you won't use. If you have different meal plan options, consider habits before signing up for the biggest plan. You may not need one that includes breakfast if you're more likely to grab a bagel on the way to class rather than going to the cafeteria for a full meal, for example. Many schools allow you to change your plan selection from semester to semester, so take the opportunity to reflect on how much you used versus how much you paid for.
- **Books and supplies:** Make a list of supplies for the courses you plan to take, like special software or equipment or art materials, in addition to books. Remember there are a lot of options for buying used books on and around campus and online that can drastically cut down the expense, so don't rush out and buy brand new copies the first day—unless you have assigned reading prior to day one, it may also be a good idea to wait in case the instructor has a last-minute book change or will be providing print outs or electronic copies of assigned readings.
- **Transportation:** This can be an easy one to forget, but, whether you're commuting every day or living at school and traveling to and from your home a few times each semester, the costs can add up fast.
- **Personal expenses:** This includes items like mobile phone and device service, entertainment, laundry and any other regular needs.

There are several options for minimizing the amount you pay for school.

- **Apply for financial aid.** Everyone, even those who don't think they will qualify for aid due to a high income, should submit the Free Application for Federal Student Aid, commonly known as the FAFSA (fafsa.ed.gov). The form is used to determine your expected family contribution and your eligibility for aid from colleges and universities, the federal government and even many states. Apply early to make sure you're considered for as many aid opportunities as possible, including merit-based aid. If you are a nontraditional or independent student (i.e., your family will not be assisting you with college costs), you may have a few extra hurdles to get through. If you need help, contact the financial aid office at your college.
- **Explore tuition discounts and payment plans.** Ask the college or university about possible discounts. For example, would the price be lower if you pay for an entire semester upfront? There may also be payment plans that won't lower the price but will allow you to spread payments out over time and make them easier to manage.
- **Get college credits in high school.** Whether through advanced placement classes or courses taken at a local community college while you're still in high school, it may be possible for you to enter college with a jumpstart on credits, reducing the amount you need to graduate.
- **Start in community college.** Do you dream of graduating from a school you may not be able to afford? Consider spending the first two years at a community college, most of which have relatively low tuition rates and where you may be able to live at home and save on room and board. Then, you can apply to transfer to your dream school for the last two years of college. You'll graduate with a diploma from that school, but you'll only pay the high tuition costs for two years. Be sure to confirm in advance that your dream school will accept the credits for the community college courses.
- **Graduate in three years.** By enrolling in a special accelerated program or taking a heavier course load, you might be able to shave down your time in college, allowing you to save money on tuition, room and board and other costs.
- **Go for cooperative education.** Consider schools that offer paid internships in your field of interest to supplement your classes. The degree may take longer to get, but you'll earn money that can help pay for school and get a great introduction to the working world.

Cont. on 16

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- **Stay close to home.** Room and board is a big expense. You can avoid it completely by living at home for some or all your college years. In your budgeting, remember to factor in the costs of commuting to classes, including the daily transportation costs or the price of a car, if needed, and regular outlays for gas, tolls, maintenance and parking.
- **Explore online options.** Online classes are typically cheaper than those conducted in person, so find out if it's possible to use distance learning for at least some courses.
- **Ask if your employer offers educational assistance.** Many companies offer tuition reimbursement for employees and for their children. Find out what's available from your or your parents employer.
- **Seek scholarships.** In addition to the high school counseling office or a college financial aid office, other sources for scholarships include your local library and local civic, religious or business groups. As you search, keep in mind a variety of awards are available from states and federal governments, as well as for those enrolled in the military's Reserve Officers' Training Corps (ROTC).

FAQS ABOUT EDUCATION CREDITS

By IRS

Find the answers to the most common questions you ask about the Education Credits-- the American opportunity tax credit (AOTC) and the lifetime learning credit (LLC).

Q HAVE THERE BEEN ANY CHANGES IN THE PAST FEW YEARS TO THE TAX CREDITS FOR HIGHER EDUCATION EXPENSES?

A. Yes, the Protecting Americans Against Tax Hikes (PATH) Act of 2015 made AOTC permanent. The AOTC helps defray the cost of higher education expenses for tuition, certain fees and course materials for four years. To claim the AOTC or LLC, use Form 8863, Education Credits (American Opportunity and Lifetime Learning Credits). Additionally, if you claim the AOTC, the law requires you to include the school's Employer Identification Number on this form. The Trade Preferences Extension Act 2015 requires most students to have received a Form 1098-T. To be eligible to claim the AOTC or the LLC, the law requires a taxpayer (or a dependent) to have received Form 1098-T, Tuition Statement, from an eligible educational institution.

Q HOW DOES AOTC DIFFER FROM THE EXISTING LLC?

A. Unlike the other education tax credits, the AOTC is allowed for expenses for course-related books, supplies and equipment that are not necessarily paid to the educational institution but are needed for attendance. It also differs because you can claim the credit for four tax years instead of no limit on the number of years you can claim the LLC.

Q HOW MUCH IS THE AOTC WORTH?

A. It is a tax credit of up to $2,500 of the cost of tuition, certain required fees and course materials needed for attendance and paid during the tax year. Also, 40 percent of the credit for which you qualify that is more than the tax you owe (up to $1,000) can be refunded to you.

Q HOW DOES AOTC AFFECT MY INCOME TAXES?

A. You reduce the amount of tax you owe dollar for dollar by the amount of the AOTC for which you qualify up to the amount of tax you owe. If the amount of the AOTC is more than the tax you owe, then up to 40 percent of the credit (up to $1,000) can be refunded to you.

Q WHAT ARE QUALIFIED TUITION AND RELATED EXPENSES FOR THE EDUCATION TAX CREDITS?

A. In general, qualified tuition and related expenses for the education tax credits include tuition and required fees for the enrollment or attendance at eligible post-secondary educational institutions (including colleges, universities and trade schools). The expenses paid during the tax year must be for: an academic period that begins in the same tax year or an academic period that begins in the first three months of the following tax year.

The following expenses do not qualify for the AOTC or the LLC:

- Room and board
- Transportation
- Insurance
- Medical expenses
- Student fees, unless required as a condition of enrollment or attendance
- Same expenses paid with tax-free educational assistance
- Same expenses used for any other tax deduction, credit or educational benefit

Q WHAT ADDITIONAL EDUCATION EXPENSES QUALIFY FOR THE AOTC, BUT NOT THE LLC?

A. For the AOTC but not the LLC, qualified tuition and related expenses include amounts paid for books, supplies and equipment needed for a course of study. You do not have to buy the materials from the eligible educational institution. Add amounts paid for these materials to Form 8863 to your other adjusted qualified education expenses. The total of all qualified tuition and related expenses for calculating the AOTC cannot exceed $4,000 and the maximum allowable credit is $2,500.

Q DOES A COMPUTER QUALIFY FOR THE AOTC?

A. It depends. The amount paid for the computer can qualify for the credit if you need the computer for attendance at the educational institution.

Q WHO IS AN ELIGIBLE STUDENT FOR THE AOTC?

A. An eligible student for the AOTC is a student who:

- Was enrolled at least half time in a program leading toward a degree, certificate or other recognized educational credential for at least one academic period during the tax year;
- Has not completed the first four years of post-secondary (education after high school) at the beginning of the tax year;
- Has not claimed (or someone else has not claimed) the AOTC for the student for more than four years; and
- Was not convicted of a federal or state felony drug offense at the end of the tax year.

Q HOW DO I CALCULATE AOTC?

A. You calculate the AOTC based on 100 percent of the first $2,000 of qualifying expenses, plus 25 percent of the next $2,000, paid during the tax year.

Q IS THERE AN INCOME LIMIT FOR AOTC?

A. Yes. To claim the full credit, your MAGI, modified adjusted gross income (See Q&A 13 for MAGI definition) must be $80,000 or less ($160,000 or less for married taxpayers filing jointly). If your MAGI is over $80,000 but less than $90,000 (over $160,000 but less than $180,000 for married taxpayers filing jointly), the amount of your credit is reduced. If your MAGI is over $90,000 ($180,000 for married taxpayers filing joint), you can't claim the credit.

Q WHAT IS "MODIFIED ADJUSTED GROSS INCOME" FOR THE PURPOSE OF THE AOTC?

A. For most filers, it is the amount of your AGI, adjusted gross income, from your tax return. The new Form 1040 line numbers have changed. The new AGI line is line 7:

- Foreign earned income exclusion
- Foreign housing exclusion
- Foreign housing deduction
- Exclusion of income by bona fide residents of American Samoa or Puerto Rico.

Q HOW DO I CLAIM AN EDUCATION TAX CREDIT?

A. To claim the AOTC or LLC, use Form 8863, Education Credits (American Opportunity and Lifetime Learning Credits). Additionally, if you claim the AOTC, the law requires you to include the school's Employer Identification Number on this form.

For more information, see www.irs.gov/credits-deductions/individuals/education-credits-questions-and-answers.

3 TIPS TO PAYING BACK STUDENT LOANS

For thousands of grads, the six-month student loan grace period ends too soon. Grace periods are granted to give new grads time to find new jobs armed with their new degrees. Here are three tips for repaying student loans before that monthly due date becomes a reality.

1. **Pretend you're already paying and start your emergency fund.** Log in to your accounts now and find out what your payment will be. Next, create a budget where you start setting that much aside each month in a separate savings account. Not only will this help make the payments less stressful when they're due, but it will also help you establish the start of your emergency fund, one of the pillars of financial security. Experts advise building three to six months' worth of living expenses, but it will depend upon your situation. However, any emergency fund is better than no emergency fund, so don't let the higher amount scare you into not saving at all.

2. **Choose your repayment plan wisely.** Federal student loans have a variety of repayment plans available. Before opting for the lowest payment, pay attention to the amount of interest you'll pay over the life of the loan. The standard repayment plan of ten years of level payments may be the highest amount per month, but it's also the lowest amount of interest (meaning less money overall out of your pocket). Try for that option if you can. If you simply can't afford that monthly payment, it's ok to choose an income-based or graduated plan. Remember you can always pay more than your monthly payment if you find extra money in your budget.

3. **Try not to stress about your loans.** Depending on the total amount of loans you have outstanding, your balance or payments could feel overwhelming, especially when you think about what else that dollar amount could buy. Try not to focus on that and instead remember what it did buy: your education and ability to earn a higher income throughout your life. While it may seem to limit your financial goals, especially early in your career, student loan debt is an investment—much like a mortgage is an investment in a home. It will pay off for the rest of your life, so next time you find yourself stressing about those big numbers, remember what you'll be able to accomplish because of your education.

RENT VERSUS BUY: EVALUATING THE PROS AND CONS

Is it better to rent a home or to buy it? The conventional wisdom favors buying, but the percentage of people renting has been growing. It's a complicated decision and there are a number of pros and cons to consider for each option.

RENTING

Pros:

- It's a good short-term solution. If you're not planning to stay long in your current location, renting is a safe interim choice, with fewer costs and generally more flexibility. And because of the upfront costs, buying makes the most sense if you plan to stay in your home at least five years, according to the Freddie Mac.

- You may have to put down a refundable security deposit, but otherwise your direct housing costs should only be rent and any expenses that aren't included in rent, such as utilities.

- Home ownership isn't the only investment open to you. It's tough to predict which way home prices or investment returns will go, but if you have doubts about buying a home, it may be worth analyzing home sales over the last few years as well as investment returns over the same period and seeing how they compare.

Cons:

- No chance for equity appreciation. If the property where you live is worth more when you move out than when you moved in, a tenant doesn't benefit from that gain in value.

- What you see is what you get. Situations may vary, but landlords typically won't allow tenants to make major changes in their homes, so be sure your rental suits your needs as is. Even if you paint a room a bright color or put up some wallpaper, you may have to repaint it a neutral white before you move out. Landlords may also be slow to upgrade kitchens, bathrooms or fixtures that are still functional.

- You may have to leave sooner than you like. As long as you pay your mortgage, taxes and other required fees, you can generally stay in a home you purchase, but if your landlord's nephew wants to move into your rental when your lease is up, you'll have to find a new place.

BUYING

Pros:

- A potential increase in the value of your home is a major benefit of home ownership. The equity you build in a home can provide a down payment for your next house, an addition to your retirement nest egg or funding for a variety of other goals.
- A conventional mortgage will lock in a major portion of your housing costs for up to 30 years. That may be appealing if you're living in any area where the prices to rent and buy are rising.
- There are important tax benefits to home ownership. Deducations on mortgage interest and property taxes every year helps to lower your overall tax return costs. Note: Tax laws do change. A change after you buy could have a negative impact—and there's not a lot you can do about it—but there's also the chance that a change does not occur. This is a point where you need to weigh your options and goals and do what makes most sense.

Cons:

- It may be better to use the money you would use for a down payment and other costs for other financial goals. That's especially true if you have high student or credit card loans or any other near-term objectives that would require a big cash infusion.
- There's no guarantee a home's worth will increase, and values can also decline due to many factors. If you want to find out how the market has been doing before you buy, contact a local board of realtors or other source for information on average rises or drops in value in the area over the last few years.
- There are high upfront and ongoing costs. A typical down payment on a house is 20 percent of the purchase price (although the down payment for an FHA loan can be as low as 3.5 percent, depending on your credit score). You will get that money back when you sell, but you generally won't have access to it in the meantime. In addition, closing costs can include points and a variety of other fees, such as the appraisal and home inspection costs, attorney fees and title insurance, to name a few. These fees can add up to 2 percent to 5 percent of the home's purchase price, according to Zillow. Unlike most renters, you will have to pay to repair the furnace, replace the roof and address a wide range of other maintenance costs.

QUESTIONS TO ASK ABOUT EMPLOYEE BENEFITS

When you're evaluating job offers, along with salary and other factors, your decision should include consideration of the benefits that companies typically provide their workers. What your possible future employer has to offer beyond salary could have an impact on your decision. That could be the case if, for example, a benefit lowers or eliminates the cost you would pay for something you need, such as insurance, or provides valuable opportunities to further your career or improve your work/life balance that another prospective employer does not. These questions will help you get a better sense of the best situation for you.

HEALTH INSURANCE

- Does the company offer health insurance?
- Will it cover members or my family as well as myself? A significant other?
- How much of the premium costs do I have to pay for myself? My family?
- Can I choose different levels of coverage? What are the out-of-pocket costs for items such as deductibles or co-pay?
- What kind of coverage is there for dental, vision and disability insurance? What is the cost to me for any of this coverage?
- Does the company offer flexible spending accounts, which provide a tax advantage when I set aside some of my salary to cover medical—and in some cases, childcare—costs not paid by my insurance?

PENSION PLAN

- What type of pension plan does the company offer? Is there a range of investment choices?
- Is there an employer match, in which the company contributes to my 401(k) some matching percentage of my contribution? How long is the vesting period, which determines how soon I can take all of the employer contribution if I leave the job?

LIFE INSURANCE

- Does the company pay for life insurance coverage or offer reduced premiums for employees?
- Can I buy more life insurance through the company plan if I want to?
- Is the policy portable, which means I can keep it if I leave this job?
- How does the policy compare with other options that I can find on my own outside the company?

Cont. on 20

Cont. from 19

PAID TIME OFF

- How many vacation and sick days do employees receive?
- If I change jobs to this company, will I get fewer paid days because of a lack of seniority?
- When I leave, am I paid for vacation or sick days that I've earned but not taken?

EMPLOYEE TRAINING AND DEVELOPMENT

- Does the company pay for education that can advance my career?
- Are there internal employee training or career development programs open to me?

FLEXIBLE WORK ARRANGEMENTS/REMOTE WORK

- Can I choose to work hours that don't conform to the traditional 9-to-5 schedule?
- Is it possible to work from home or another remote location some or all of the time?

STOCK OPTIONS

- Does the company offer the opportunity to buy some of its shares?
- Is there a reduced price for employees?
- How long must I hold the shares before I can sell them?

WHAT ARE SUPPLEMENTAL BENEFITS?

Many organizations offer employee benefits that can include health and life insurance, pension plans and paid time off. In addition, companies may also provide a range of supplemental or voluntary benefits. Employees typically but not always pay all of the costs of these benefits.

They may include:

- Additional coverage for hospitalization, a critical illness or long-term care or accidents;
- Workplace wellness programs;
- Employee assistance programs that provide short-term counseling and referrals to other professionals;
- Identity theft protection plans;
- Financial counseling or financial wellness programs, including financial advice or education and discounted legal services;
- Other types of insurance, such as auto, homeowners, travel and pet health coverage; or
- Discounts on a variety of goods and services.

6 THINGS TO KNOW ABOUT HSAs

During open enrollment season, it's not uncommon to hear lots of insurance-related acronyms being tossed around: PPO, HSA, HDHP, FSA, LTD, AE, etc. It's easy to get confused! But one of those acronyms, the HSA, or health savings account, can be a powerful way for you to save on taxes and possibly provide an alternate way to save for retirement. Nearly three-fourths—72 percent— of employers offer plans that include an HSA component. The lower premium plans on the healthcare exchange are also HSA-eligible plans. Here are some facts about HSAs to help you decide if that's the right choice for you.

1. **HSAs are basically savings accounts.** You can save money for your out-of-pocket health care costs. Plus, the money goes in tax-free (pre-tax earnings) and comes out tax-free, as long as it's spent on qualified health care costs. Depending upon distributions from the account, the HSA balance may grow until funds are used.

2. **They're different from FSAs.** They're not "use it or lose it." You can roll over money year after year. There's no limit to how much you can save. And if you leave your job or retire, the account goes with you.

3. **You must be enrolled in a health insurance plan.** In order to deposit money, you'll need a health insurance plan with a high deductible. The IRS defines "high deductible" health plan as any plan with a deductible of at least $1,350 for single coverage and $2,700 for family coverage. That means your initial health expenses each year will be at 100 percent out-of-pocket, no co-pays, until you've reached your deductible.

4. **You can spend it on you or anyone else on your tax return.** Once money is deposited into your HSA, you can spend it on any eligible health care expenses for you or anyone else on your tax return (dependent or spouse), regardless

of whether that person is on your insurance. HSAs can be used to pay for prior years' expenses if the plan was established at the time you incurred the medical expense. You can even use it later on in life when you may not be enrolled in a high-deductible health plan.

5. **You may be eligible to get free money.** Your job may deposit money into your HSA to help offset your health care costs, which is basically free money (especially if you don't spend much because you don't have a lot of health care expenses).

6. **Beware of age issues.** Contributions for those 65 and older are subject to penalty and may not be advised. Discuss with your CPA to make sure.

For people who rarely go to the doctor outside of preventive care visits (which are covered 100 percent on all health insurance plans by law), an HSA health insurance plan can be a great way to save money on premiums while also allowing you to save taxes on money you set aside for the times you do have expenses, both now and in the future. Talk to your human resources department to find out what options are available and consult with your CPA to discuss the best financial options for you and your family. Additionally, refer to IRS publication 502. For a free referral and free 30-minute consultation with a CPA, visit www.FindYourCPA.com.

I GOT FIRED. NOW WHAT?

KEEP YOUR COOL. You know that you're a professional, so be sure to act like one during this tough time. That includes:

- Cooperate with any transition needs at your old company and keep a polite attitude in all your dealings with people there.
- Contact colleagues whom you know will give you a recommendation. Consider asking your employer for one, as well, or at least determining what future prospective employers will be told if they call for information about you. Ask if the former employer will simply discuss how long you worked there and give your job description without going into details about your departure.
- If you have a generally positive relationship with your employer and one particular job or supervisor was the issue, consider asking about other positions within the organization that might suit you better.
- If you're unclear about why you've been fired or believe it is uncalled for, get as much detail as possible about the reasons. You may need this information if you decide to turn to a labor lawyer, a union or other source for help in protesting the firing.
- If you're offered a severance package, take time to determine whether you'd like to negotiate for more or ask a lawyer to review it.

DON'T NEGLECT TO FILE FOR UNEMPLOYMENT BENEFITS. In some cases, you may be eligible even if you were fired, depending on the reason. Contact your state unemployment office for more details.

FOCUS ON YOUR STRENGTHS. As you look to your next step, don't obsess over what you did wrong or even the fact that you believe you weren't to blame. Instead, look at yourself through the eyes of the person you want to hire you next. What skills and achievements can you talk about to make a case for being hired? What advantages and positive qualities can you bring to a company? Taking this approach not only will help you make a strong case for employment, but it will also help shore up your self-confidence when it might be at a low point.

DECIDE HOW TO EXPLAIN WHAT HAPPENED. You don't have to include the fact that you were fired in a résumé or cover letter, but you will have to decide how to describe what happened when you are interviewed. Be honest when asked and be brief about the circumstances. If possible, talk about something positive that you learned from the experience. Don't insult or complain about your previous employer because it will only reflect badly on you. Move on smoothly to a discussion of what you have to offer your new employer.

TAKE STOCK. When you've had some time to cool off, try to take an objective look at the firing and how and why it happened. If you've considered what you have learned from it, how can that knowledge help you in the future? Honest self-assessment can allow you to overcome and even make the best of a bad situation.

MANAGING MONEY AND RELATIONSHIPS

Have you ever seen couples argue about money? Most of us have. A staggering 88 percent of people between 25 and 40 who are married or living with a spouse or partner cited financial decisions as a source of tension in their relationships, according to a survey by the AICPA and the Ad Council. Financial issues were a daily cause of stress in one-fifth of relationships and a weekly cause in about one-third. What can you do to prevent flare-ups over finances?

1. **Be candid.** Did you run up hundreds of dollars in credit card bills over the holiday, but you're hoping to pay them off quietly over the next few months without your partner knowing? Or maybe you already have a load of outstanding debt that you haven't ever mentioned? Keeping secrets about significant financial challenges is one of those things that will add stress to a relationship. The truth will eventually come out and probably cause an argument. You will both likely end up with hurt feelings in addition to a big financial problem to deal with. It certainly can be tough to confess about a big money issue, but being honest can minimize the upset and leave you in a better position to tackle the challenge together.

2. **Put a focus on finances.** When you don't have a budget, it's hard to know if you've overspent, but overspending can lead to arguments. Before that happens, take time to determine how much income you each bring home every month, then subtract your total regular expenses for items such as housing, utilities, phone and cable, groceries, transportation and savings. Decide together how to handle the money that's left to prevent any misunderstandings about spending. Also consider spending limits, agreeing that any purchases over a certain level should be discussed beforehand.

3. **Recognize your personalities.** As part of your conversations about money, consider your financial personalities. If one of you is a committed saver and the other is a big spender, there will be inevitable conflicts. Discussing your differences can help you understand each other and reduce the chances for conflict. And remember that misunderstandings can occur when one spouse is worrying about how you two will buy your first house and the other one thinks that your next vacation is your most important financial concern. Map out a financial plan that can include both short- and long-term goals and assign them priorities to help you decide how much you want to save for various goals. Once again, this conversation will help you understand each other's objectives and plans for the future and enable you to identify ways to achieve them.

4. **Decide whether to combine or not.** One way to sidestep some financial arguments is by maintaining separate checking, savings or investment accounts. This can give both partners a greater sense of control over their finances and the chance to manage their money as they see fit. This may work well for couples who are already established financially and don't want to change how their money is handled. It can also be a good choice early in a relationship when partners may want to keep some financial independence. With separate accounts, it's important to establish how financial responsibility will be shared and to maintain a joint budget so that you can monitor your household finances.

CHAPTER 3: CREDIT & DEBT

RATING PLASTIC
LOANS MINIMUM PAYMENT
CREDIT SCORE SAVING BANKRUPTCY
DEBT CONSOLIDATION
BALANCES SPENDING FEES
BUDGETING

5 QUICK WAYS TO GET INTO DEBT

Does it seem like your debt just keeps growing? If so, you're not alone. The average U.S. household with credit card debt has an estimated $6,929 in revolving balances, based on a NerdWallet report from December 2018. Here are some easy mistakes that can cause debt to pile up, along with tips on how to limit on what you owe.

MISTAKE 1: COLLECTING CREDIT CARDS. Consumers are bombarded by offers for credit cards, but don't be tempted! Once you get a new card, it's easy to use it, which could lead to spending more than you intended—and more than you can afford. Running up credit card balances will only increase your debt and the amount of interest you will end up paying. The solution is to be strategic: Don't charge more than you can afford to pay off each month. Stick with one card and don't sign up for any new ones.

MISTAKE 2: PAYING ONLY THE MINIMUM. Even if you can't currently afford to pay off your entire credit card balance, paying as much as possible each month will help minimize your interest costs and save you money over time. It may seem easy to pay only the minimum required, but this is a costly error.

MISTAKE 3: NOT BUDGETING OR SAVING. It's easy to overspend if you don't know how much you have available to spend each month, which is why creating a budget is so important. Add up all your monthly income, and then subtract all your monthly expenses, such as housing, utilities, phone service, commuting, food and other costs. Adjust your spending if your income doesn't cover your expenses, or make plans for how to allocate any money left over if you earn more than you spend. A budget can also help you spot and trim unnecessary expenses or expenses that are higher than you realized. Be sure to make room in your budget for establishing and maintaining an emergency fund so that you don't have to borrow to cover unexpected costs.

MISTAKE 4: SPENDING TOMORROW'S MONEY TODAY. This problem can occur in two ways. First, you lose some part of your income, but you don't change your spending because you think you'll probably be able to replace that income soon. In the meantime, you're going to rack up debt, and it may take longer than you thought to restore your income—which can lead to even more debt. Another mistake can happen when you are expecting to get a new higher-paying job or a windfall of some kind, and you start spending now as if that money were already in the bank. In both cases, the best approach is to adjust your spending to reflect the funds you actually have today.

MISTAKE 5: NOT REWARDING YOURSELF FOR YOUR ACCOMPLISHMENTS. You know that minimizing debt has many benefits, but you're more likely to succeed at it if you celebrate a little when you've finally reached a milestone, such as paying off a credit card or lowering your debt by a certain amount. Don't break the bank, but do consider giving yourself a night out or some other small treat. A reward will help motivate you to keep going until you're debt-free and make it less likely that you'll slip up and overspend again.

UNDERSTAND ADVANTAGES AND DISADVANTAGES OF CREDIT CARDS

Before you use plastic, whether it's debit or credit, it pays to know everything you can about the implied agreement you have with a credit card company the moment you swipe.

ADVANTAGES

Convenience – Credit cards can save you time and trouble–no searching for an ATM or keeping cash on-hand.

Record keeping – Credit card statements can help you track your expenses. Some cards even provide year-end summaries to help out at tax time.

Low-cost loans – You can use revolving credit to save today (e.g., at a one-day sale), when available cash is a week away.

Instant cash – Cash advances are quick and convenient, putting cash in your hand when you need it.

Perks – From frequent flier miles to discounts on automobiles, there is a program out there for everyone. Many credit card companies offer incentive programs based on the amount of purchases you make.

Build positive credit – Controlled use of a credit card can help you establish credit for the first time or rebuild credit if you've had problems in the past–as long as you stay within your means and pay your bills on time.

Purchase protection – Most credit card companies will handle disputes for you. If a merchant won't take back a defective product, check with your credit card company.

Balance surfing – Many credit card companies offer low introductory interest rates. These offers allow you to move balances to lower-rate cards.

DISADVANTAGES

Overuse – Revolving credit makes it easy to spend beyond your means.

Paperwork – You'll need to save your receipts and check them against your statement each month. This is a good way to ensure that you haven't been overcharged.

High-cost fees – Your purchase will suddenly become much more expensive if you carry a balance or miss a payment.

Unexpected fees – Typically, you'll pay between 2 and 4 percent just to get the cash advance; also cash advances usually carry high interest rates.

No free lunch – The high interest rates and annual fees associated with credit cards often outweigh the benefits received. Savings offered by credit cards can often be obtained elsewhere.

Deepening your debt – If you charge freely, you may quickly find yourself in over your head–as your balance increases, so do your monthly minimum payments.

Homework – It's up to you to make sure you receive proper credit for incorrect or fraudulent charges.

Teaser rates – Low introductory rates may be an attractive option, but they last only for a limited time. When the teaser rate expires, the interest rate charged on your balance can jump dramatically.

UNDERSTAND YOUR CREDIT REPORT

Your credit report contains information about your past and present credit transactions. It's used primarily by potential lenders to evaluate your creditworthiness. So if you're about to apply for credit, especially for something significant like a mortgage, you'll want to get and review a copy of your credit report.

GET A COPY OF YOUR CREDIT REPORT.

Every consumer is entitled to a free credit report every 12 months from each of the three credit bureaus. To get your free annual report, you can contact each of the three credit bureaus individually, or you can contact one centralized source that has been created for this purpose. Besides the annual report, you are also entitled to a free report under the following circumstances:

- A company has taken adverse action against you, such as denying you credit, insurance or employment (you must request a copy within 60 days of the adverse action);
- You're unemployed and plan to look for a job within the next 60 days;
- You're on welfare; or
- Your report is inaccurate because of fraud, including identity theft.

You can order your free annual report online at www.annualcreditreport.com, by calling (877) 322-8228, or by completing an Annual Report Request Form and mailing it to Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281.

Alternatively, you can contact each of the three credit bureaus:

- Experian National Consumer Assistance Center, www.experian.com, P.O. Box 2104, Allen, TX 75013-2104, (888) 397-3742;
- Trans Union LLC, Consumer Disclosure Center, www.transunion.com, 1000, Chester, PA 19022, (800) 916-8800; and
- Equifax, Inc., www.equifax.com, P.O. Box 740241, Atlanta, GA 30374, (800) 685-1111.

If you make your request online, you should get access to your report immediately. If you request your report by phone or mail, you should receive it within 15 days.

WHAT'S INCLUDED IN YOUR CREDIT REPORT?

Your credit report usually starts off with your personal information: your name, address, Social Security number, telephone number, employer, past address, past employer and (if applicable) your spouse's name. Check this information for accuracy. If any of it is wrong, correct it with the credit bureau that issued the report.

The bulk of the information in your credit report is account information. For each creditor, you'll find:

- The lender's name, account number and type of account;
- The opening date, high balance, present balance, loan terms and your payment history; and
- The current status of the account.

You'll also see status indicators that provide information about your payment performance over the past 12 to 24 months. They'll show whether the account is or has been past due, and if past due, they'll show how far (e.g., 30 days, 60 days). They'll also indicate charge-offs or repossessions. Because credit bureaus collect information from courthouse and registry records, you may find notations of bankruptcies, tax liens, judgments or even criminal proceedings in your file.

At the end of your credit report, you'll find notations on who has requested your information in the past 24 months. When you apply for credit, the lender requests your credit report--that will show up as an inquiry. Other inquiries indicate that your name has been included in a creditor's prescreen program. If so, you'll probably get a credit card offer in the mail.

You may be surprised at how many accounts show up on your report. If you find inactive accounts (e.g., a retailer you no longer do business with), you should contact the credit card company, close the account and ask for a letter confirming that the account was closed at the customer's request.

WHAT DOES ALL OF THIS MEAN?

What all this information means in terms of your creditworthiness depends on the lender's criteria. Generally speaking, a lender feels safer assuming that you can be trusted to make timely monthly payments against your debts in the future if you have always done so in the past. A history of late payments or bad debts will hurt you. Based on your track record, a new lender is likely to turn you down for credit or extend it to you at a higher interest rate if your credit report indicates that you are a poor risk.

Too many inquiries on your credit report in a short time can also make lenders suspicious. Loan officers may assume that you're being turned down repeatedly for credit or that you're up to something, like going on a shopping spree, financing a bad habit or borrowing to pay off other debts. Either way, the lenders may not want to take a chance on you.

Your credit report may also indicate you have good credit, but not enough of it. For instance, if you're applying for a car loan, the lender may be reviewing your credit report to determine if you're capable of handling monthly payments over a period of years. The lender sees that you've always paid your charge cards on time, but your total balances due and monthly payments have been small. Because the lender can't predict from this information whether you'll be able to handle a regular car payment, your loan is approved only on the condition that you supply an acceptable cosigner.

HOW DO YOU CORRECT ERRORS ON YOUR REPORT?

Under federal and some state laws, you have a right to dispute incorrect or misleading information on your credit report. Typically, you'll receive with your report either a form to complete or a telephone number to call about the information that you wish to dispute. Once the credit bureau receives your request, it generally has 30 days to complete a reinvestigation by checking any item you dispute with the party that submitted it. Then, one of four things should then happen:

- The credit bureau reinvestigates, the party submitting the information agrees it's incorrect and the information is corrected;
- The credit bureau reinvestigates, the party submitting the information maintains it's correct and your credit report goes unchanged;
- The credit bureau doesn't reinvestigate, and so the disputed information must be removed from your report; or
- The credit bureau reinvestigates, but the party submitting the information doesn't respond, and so the disputed information must be removed from your report.

You should be provided with a report on the reinvestigation within five days of its conclusion. If the reinvestigation resulted in a change to your credit report, you should also get an updated copy.

You have the right to add to your credit report a statement of 100 words or less that explains your side of the story with respect to any disputed but unchanged information. A summary of your statement will go out with every copy of your credit report in the future, and you can have the statement sent to anyone who has gotten your credit report in the past six months. Unfortunately, though, this may not help you much—creditors often ignore or dismiss these statements.

5 WAYS TO IMPROVE YOUR CREDIT SCORE

A poor credit history and credit score can present many challenges. For example, they can prevent you from getting the credit you need to secure a loan to buy a car, a home or other important purchases. If you do get a credit card or a loan, a low score could cost you thousands more in higher interest costs. Use these five tips to improve your credit management and your credit score.

1. Check the details. Your credit score can be dragged down by inaccuracies in your credit report. You're allowed one free report each year from each of the three major credit reporting agencies—Experian, Equifax and TransUnion. Visit www.annualcreditreport.com for the only source for your free report authorized by federal law. Also, consider stacking your requests throughout the year: Request one every four months from one of the agencies (for example, request one from Experian in January, one in May from Equifax and one in September from TransUnion). Check your reports for clerical errors or other oversights. Common errors include mistakes in identification information or incorrect details on the accounts you have, their balances or your payment status. Credit bureaus must respond promptly when you inform them of errors, so be sure to reach out to them when you catch mistakes. Reviewing your history can also help you spot signs of possible identity theft, such as an unknown account that has been opened in your name.

2. Don't miss payment due dates. This is an easy fix: Pay your bills on time. If you tend to procrastinate or aren't as organized as you could be, set specific and regular times when you will make payments. Keep bills stored in order, either online or in hard copy, based on when they're due. Another option: If you find yourself frequently forgetting deadlines, you can set up automatic payment plans to cover recurring payments or set your calendar to remind you about due dates.

3. Get rid of small balances. Your credit score takes into account how many of your credit cards have a balance and it can improve your score to have fewer balances. As a result, consider paying off your smaller accounts as soon as you can (while staying current with other payments) and whittling your accounts down to one or two. Having fewer bills each month can also make it easier to manage—and remember to pay—outstanding bills.

4. Don't fall for "credit repair" scams. Getting scammed out of your hard-earned money makes it even tougher to remedy or prevent credit problems, so be careful who you deal with! It's not necessary to pay a high fee to address problems in your credit history. "Credit Repair: How to Help Yourself," a publication from the Federal Trade Commission, describes your rights and how to fix credit reporting problems on your own. It also offers advice on reputable and free or low-cost credit counseling help.

5. Start over with a secured card. If you've had payment problems in the past and are having trouble getting credit, a secured credit card could be a good way to demonstrate your creditworthiness and build an improved credit history. With these accounts, you make a deposit with the creditor that is held in reserve. You must pay at least the required minimum payment by the due date and, if you miss payments, the creditor will use your deposit to pay the overdue balance. However, if that happens, the effect on your credit score would the same as if you defaulted on an unsecured card.

SHOULD YOU CONSOLIDATE YOUR DEBTS?

Whether you're trying to improve your money management, having difficulty making ends meet, want to lower your monthly loan payments or just can't seem to keep up with all your credit card bills, you may be looking for a way to make debt repayment easier. Debt consolidation may be the answer.

WHAT IS DEBT CONSOLIDATION?

Debt consolidation is when you roll all of your smaller individual loans into one large loan, usually with a longer term and a lower interest rate. This allows you to write one check for a loan payment instead of many, while lowering your total monthly payments.

HOW DO YOU CONSOLIDATE YOUR DEBTS?

There are many ways to consolidate your debts. One way is to transfer them to a credit card with a lower interest rate. Most credit card companies allow you to transfer balances by providing them with information, such as the issuing bank, account number, and approximate balance. Or, your credit card company may send you convenience checks that you can use to pay off your old balances. Keep in mind, however, that there is usually a fee for this type of transaction, and the lower rate may last only for a certain period of time (e.g., six months).

Another option is to obtain a home equity loan. Most banks and mortgage companies offer home equity loans. You'll need to fill out an application and demonstrate to the lender that you'll be able to make regular monthly payments. Your home will then be appraised to determine the amount of your equity. Typically, you can borrow an amount equal to 80 percent of the value of the equity in your home. Interest rates and terms for home equity loans vary, so you should shop around and compare lenders.

Some lenders offer loans specifically designed for debt consolidation. Again, you'll need to fill out an application and demonstrate to the lender that you'll be able to make regular monthly payments. Keep in mind, however, these loans usually come with higher interest rates than home equity loans and, depending on the amount you borrow, may require collateral on the loan (e.g., your car or bank account).

ADVANTAGES OF DEBT CONSOLIDATION:

- The monthly payment on a consolidation loan is usually substantially lower than the combined payments of smaller loans;
- Consolidation loans usually offer lower interest rates; and
- Consolidation makes bill paying easier since you have only one monthly payment, instead of many.

DISADVANTAGES OF DEBT CONSOLIDATION:

- If you use a home equity loan to consolidate your debts, the loan is secured by a lien on your home. As a result, the lender can foreclose on your home if you default on the loan;
- If the term of your consolidation loan is longer than the terms of your smaller existing loans, you may end up paying more total interest even if the rate is lower. So you won't actually be saving any money over time, even though your monthly payments will be less; and
- If you use a longer-term loan to consolidate your debts, it will take you longer to pay off your debt.

SHOULD YOU CONSOLIDATE YOUR DEBTS?

For debt consolidation to be worthwhile, the monthly payment on your consolidation loan should be less than the sum of the monthly payments on your individual loans. If this isn't the case, consolidation may not be your best option. Moreover, the interest rate on your consolidation loan should be lower than the average of the interest rates on your individual loans. This allows you not only to save money but also to lower your monthly payment.

6 TIPS FOR LIVING WITHOUT CREDIT CARDS

The number of Americans who use credit cards has fallen to an all-time low, according to a recent Gallup poll, with about one-third going plastic free. And there may be a generational shift occurring, since nearly two-thirds of Millennials don't have credit cards, based on data from Bankrate and Princeton Survey Research Associates International. So how can you join them in living without the plastic?

1. **Commit to a budget.** Add up your monthly income, subtract your regular necessities—such as housing costs, utilities, transportation, groceries and savings—and determine what's left. Decide how you want to spend that extra amount and don't spend any more.

2. **Take the plastic out of your wallet.** Cut up your cards and resolve not to use them. If you need a convenient way to make purchases without using cash, rely on traditional or prepaid debit cards.

3. **Pay off your outstanding balances.** That will help you eliminate all the interest you're paying on debt, adding more money into your monthly budget. And when you close those accounts as they are paid off, it will be easier to avoid the temptation to charge more.

4. **Save for expected needs.** Whether it's holiday spending or a summer vacation, estimate the costs and begin setting aside money in a savings account ahead of time.

5. **Get creative.** Not sure you'll be able to secure a hotel or other reservation without a credit card? Many will accept debit cards that have a MasterCard or Visa logo or a payment made through a site like PayPal. They might even take cash. Call ahead to find out the company's policy.

6. **Manage the cards you keep.** It's true that having—and using—a credit card helps you establish and maintain a good credit rating. With that in mind, consider keeping one card that you treat like a debit card. Use it exclusively to buy things you know you can pay off at the end of each month. Your good credit score can make it easier to obtain credit and to qualify for a lower interest rate.

CHAPTER 4: PROTECT YOURSELF & YOUR FAMILY FROM SCAMS

ENCRYPTED STOLEN
ID THEFT SKIMMER PHISHING
ACCESS INTERNET ROBOCALLS
SAFEGUARD PASSWORD
DATA BREACH VERIFY

[REAL LIFE SCAM]

The following story was sent to the OSCPA for this chapter to illustrate how clever thieves can be when trying to separate you from your money.

I received a phone call from my mobile phone carrier. The caller said there was suspicious activity on my account and asked if he could text a code to verify I was the owner of the account so that they could block the suspicious activity. It sounded legitimate and I honestly felt the carrier was taking good care of me. All I needed to do to verify I was the owner of the account is read aloud the code the carrier texted to me. What was really happening was the fraudsters had my login name for my bank account and the code I was reading back was the reset password code. If you read the code back to the person on the phone, they will reset your password and take control of the account. By the time you figure it out and reset the password again, ***the damage is already done****.*

BEWARE OF THESE 6 COMMON WAYS CRIMINALS STEAL FROM YOU

Scams have certainly changed over the years but the goal of the scammer remains the same—to separate you from your hard-earned money. Previously, scams usually came in the form of phone calls and snail mail. Currently, scams can take many forms but most come from phone calls, email, texts, social media and technology. At times it is very difficult to distinguish between legitimate interactions and those that are nefarious. Here are the six most common ways swindlers rob you with scams:

1. **Phone calls:** Smart phones are equipped with caller ID, but crooks still find ways. The best way not to get scammed is to not answer the phone unless you recognize who is calling. This option may not always be practical as you may, for example, be expecting a call about an order from an online retailer or it may be the doctor's answering service confirming your appointment. If you are fairly certain it is an unsolicited call, let it go to voicemail. Scammers are most likely not going to leave a message, as it takes away from their next target. If you do answer and determine it is a solicitation, it still may or may not be a scam. If in doubt, get a call back number and do some research to see if the number is associated with the company. Charitable organizations that sound legitimate may not be and caution should be used. One way to stop or at least slow down unsolicited calls is to block the number on your phone. The process will vary from phone to phone. In any event, never give out personal information unless you initiated the call and know with whom you are communicating. A consumer can also place his or her mobile number on the National Do Not Call Registry to notify marketers that they do not want to get unsolicited telemarketing calls. The Do Not Call Registry accepts registrations from both cell phones and land lines. To register by telephone, call (888) 382-1222 (TTY: (866) 290-4236). You must call from the phone number that you want to register. To register online, visit donotcall.gov. You will be asked to respond to a confirmation email.

2. **Internet:** Most of us have seen inquisitive posts from friends on social media that tell about their high school mascot, where they were born, favorite teacher, first car, etc., and then ask you to share the post and input your answers. Unfortunately, these are the very security questions many companies ask if you need to reset your password. By sharing this personal information, you may have potentially given thieves the information they need to reset your password and take over your on-line banking. Plus, there are multiple crowdfunding sites that request donations for various reasons. If you do not know the organization or person, be cautious. Research before donating money. Additionally, many consumers often accidentally misspell a word or type the wrong web address. Scammers are aware of this fault and purchase domain names with these misspellings. Check to see the site you have has "https:\." This means the site is secured with a Secure Sockets Layer (SSL) Certificate. Secure sites will also display an icon, such as a padlock or an unbroken key, to let consumers know their credit card information is protected. Enable two-step verification if available. Whenever you or someone else logs in to a website with your user name and password from a device that is not recognized you will be sent a code via text message to your phone. The code must be entered in order for anyone to log in. Without the code you cannot log in. Avoid using the local coffee shop or other public Wi-Fi for online purchases. Thieves use Wi-Fi sniffers to capture the information you send on unsecure wireless networks including your credit card and banking information. The sniffer only needs to be within range of the Wi-Fi network to steal your information.

3. **Email:** Phishing has been around for years, but scam artists continue to come up with new angles, so it is wise to be on guard. Phishing generally involves a fake email or other communication that is designed to look like it came from your bank or another financial institution or even a government agency. They may also come from a company making a payment to you. The message urges you to click on a link where you will be told to reveal some confidential financial information. Always check the sender of the email. At first glance the email may look authentic but look at the details of the sender to see who actually sent it. The email domain address will not match the senders. Also look at the spelling of the domain name as it may be very similar but not an exact match to the real company. What can you do? Use an email filter provided by your service provider, software or app to send unwanted mail to your junk mail folder. Never open an attachment unless you are 100 percent positive you know where it came from and even then, be suspicious and make sure the email sounds like the person you think is sending it. Your friend may have been hacked and the scammer is using his or her email account to send you a message.

   The Nigerian prince email scam is a familiar example. However, a new twist on this is emerging. A new version poses as military officers stationed overseas needing someone to talk to or asking for financial help. Scammers will create a fake Facebook page with pictures of an officer they have stolen from that person's actual Facebook page. Never respond to unsolicited email or click on links that are provided.

4. **Apps and software:** There are a number of software and apps available for free. These freebies are also a wonderful way for scammers and others to install malware on your devices

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or take your information. For instance, why would a flashlight application need access to your contact list? Before installing a new screen saver, background or free game, check to see who developed the application. Is the developer legitimate? Was that app or software you're investigating actually created by that developer? Look to see what permissions will be granted with this access. Does it seem reasonable for this app?

5. **Text spam:** Plain and simple—spam sent via text message is illegal. There are exceptions for companies for whom you have established a relationship and non-commercial messages such as political surveys and fundraising. Do not reply or click on any links provided since it may install malware on your phone. What you can do? You can register your phone with the National Do Not Call Registry and most major carriers will allow you to report the spam by forwarding the message to 7726 (SPAM) free of charge.

6. **Skimmers:** Credit/debit card skimmers account for more than $350,000 of stolen funds every day. Skimmers are devices that fit over the credit card reader of an ATM, gas pump or any reader that is not watched on a regular basis. The device will be innocuous and difficult to detect. Previously, thieves would need to return to the scene of the crime and retrieve the skimmer with your data recorded. Now, however, many skimmers transmit your stolen information through text messages. (To see good examples of sketchy skimmers, visit krebsonsecurity.com/2010/01/would-you-have-spotted-the-fraud/.) You need to take a common-sense approach to this scam. If the skimmer does not look right, do not use it. The color may be a little different or stick out more than you think it should. Stay away from machines that are not located in publicly visible and well-lit areas.

We certainly will never be able to rid ourselves of all the scams, phishing and other tricks people use to harm us, but there are certainly steps we can take to reduce our exposure. Install anti-virus protection on your devices and keep them up to date. Always update your operating system with the latest security patches. Never get in a hurry clicking on a link or responding to an email. Check and double check its authenticity. Check the privacy settings on your social media accounts to limit access. Use two-factor authentication if available. Only provide personal information on encrypted websites. Never use public Wi-Fi. Backup your data to an external drive or cloud. That way, if you do need to wipe your device clean due to malware, your personal files will be secure.

6 TIPS FOR SAFE ONLINE SHOPPING

According to Pew Research, roughly eight in 10 Americans (79 percent) shop online now. With credit card numbers flying through cyberspace, make sure you take steps to protect your security.

1. **Verify the company and website.** One of the most important first steps you can take is to make sure you're actually making a purchase from a legitimate business. Independent websites like bizrate.com will let you read what other consumers have to say about a business. The Better Business Bureau (bbb.org) offers consumers a list of safe shopping sites. When in doubt, go with a reputable company you already know and trust.

2. **Look for signs of security.** When it's time to input your payment information, look for an "s" after "http" in the website address, ensuring your data is encrypted as it is transmitted. Also look for a tiny closed padlock in the address bar or on the lower right corner of the window. As an added security measure, update your website browser. The most recent versions of website browsers are typically the most secure.

3. **Be skeptical.** We're all looking for a bargain, but approach a deal that seems too good to be true with caution. Submitting your information to an unknown company to purchase a new computer for $25 could be risky. Paying the higher price through a trusted vendor may be the difference between a secure purchase and a compromised credit card number.

4. **Pay with plastic.** Yes, financial planners often tell you not to run up your credit card bill, and that still holds, but using your credit card for online purchases offers you some protection that debit cards may not. If there are any problems, you can work with your credit card company to file and resolve a dispute. Incidentally, many credit cards offer protection or insurance on purchases. In lieu of using plastic, many retailers will allow you to use a third-party payment service, such as PayPal, which guarantees your purchase. If you want to use your debit card, contact your financial institution and be familiar with its policy in case your account is compromised.

5. **Safeguard your password.** It's time to get a little more sophisticated with your choice of passwords and "abcd123" isn't going to cut it. Today's hackers are smart and determined. Get creative and use a combination of letters, numbers and symbols. For example, if you want to make your password memorable and use a pet's name, you could try "$p0tTheD0g" or something similar.

6. **Check it out.** When your credit card statement arrives, go over every detail, making certain all of the purchases are yours. If you question a line item, call the credit card company immediately. Don't forget to check a store's online purchase policy as well, should you need to exchange or return an item.

PROTECT YOUR CHILDREN AND YOURSELF AGAINST IDENTITY THEFT

Billions of people were affected by data breaches and cyber attacks in 2018, according to USA Today, which also stated 765 million were affected in the months of April, May and June alone. Marriott announced a breach involving as many as 500 million people in November 2018. Other entities affected in 2018 include Jason's Deli, Aetna, FedEx, Orbitz, Under Armour, Panera Bread, Chili's, MyHeritage, Ticketmaster, Adidas, Fortnite, T-Mobile, Toyota, Facebook, the U.S. Air Force and the Department of Defense, just to name a few. Even Midwest City, Oklahoma, made the news when the city's online payment system, Click2Gov, was hacked, affecting more than 2,000 customers (IdentityForce.com).

While you are probably aware of your own risk of identity theft and maybe have taken some precautions to guard your own personal and financial data, have you protected your minor children? Experian reports more than 1.3 million children each year are victims of identity theft. Worse, identity theft on a child can go on for years undiscovered. Most victims don't find out about it until they are young adults and find their credit rating compromised or are rejected for student loans, jobs or from renting a place to live.

WHAT ARE THE WARNING SIGNS THAT YOUR CHILD'S CREDIT HISTORY MAY HAVE BEEN COMPROMISED?

- Your child is denied a bank account or a driver's license;
- Credit card and loan offers come to your house addressed to your child;
- Collection calls or bills addressed to your child; or
- A notice from the IRS that your child owes income taxes or was claimed as a dependent on another return.

WHAT YOU CAN DO BEFORE AND AFTER A POSSIBLE DATA BREACH?

- Check your child's credit history. There are three recognized companies that can assist with this process:
  - Equifax (equifax.com/personal/education/identity-theft/child-identity-theft)
  - Experian (experian.com/consumer-products/free-child-identity-theft-scan.html)
  - TransUnion (childidtheft@transunion.com)

HOW CAN YOU REPAIR THE DAMAGE?

1. Act quickly.
2. File a police report as applicable.
3. Notify all financial institutions involved.
4. File your taxes as early as possible.
5. Create an identity theft file and keep copies of everything.
6. Change all passwords.
7. Obtain new credit cards and destroy the old ones.
8. Monitor unusual activity with your mail, Social Security account and health insurance.
9. Contact all three credit reporting companies (see above) and ask them to remove any files that have your child's Social Security number listed.
10. Place a fraud alert with the applicable entity on the credit report.
11. File a fraud report with the FTC online (identitytheft.gov) or call (877) 438-4338.

USE THESE STEPS FOR PREVENTION AND PROTECTION:

- Find a safe location for papers and electronic records;
- Cross shred documents with personal information;
- Don't share your child's SSN unless you know and trust the other party;
- Ask at your child's school or medical office how your child's information is collected, stored, used and thrown away;
- Be aware of events that may put information at risk, like a break-in at your child's school, doctor's office or in your home;
- Before your child turns 16, get a credit report. If there are errors due to fraud, you will have time to correct them before your child applies for a job, a loan for tuition or needs to rent an apartment;
- Teach your children to keep personal information private when they are online. Social networking sites can be a goldmine for identity theft thieves. Do not put full birth dates or personal information such as where they go to school, their pets' names or their favorite anything if it's used in conjunction with a password;
- Check all bank accounts regularly;
- Check credit card statements regularly;
- Freeze your credit with credit reporting companies to prevent anyone from opening a credit account in your name. However, that also includes you, so you will need to unfreeze your account if you are applying for any kind of loan or credit;
- Secure your computer. Don't stay logged in and use passwords and personal identification numbers (PINs) if possible;
- Do not open email attachments from unknown sources;
- Secure personal data in your home. Don't leave wallets or anything else with ID cards or credit cards out in the open;
- Keep this information confidential:
  - o Social Security number;
  - o Credit/debit card numbers;
  - o Driver's license number;
  - o Bank account numbers;
  - o Birth dates;
  - o PIN numbers;
  - o Medical records; and
  - o A mother's maiden name (often used for verification).

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- Shred critical documents;
- Do not give out vital information on the telephone;
- Before giving out your Social Security number ask why the business needs it, if there is an alternative ID number you can use or what will happen if you refuse to give it;
- Write "Photo ID Required" on the back of your credit cards; and
- Destroy unwanted credit card offers.

Any taxpayer who believes they are at risk of identity theft due to lost or stolen personal information should contact the IRS immediately so the agency can take action to secure his or her tax account. The taxpayer should contact the IRS Identity Protection Specialized Unit at 800-908-4490. He or she will be asked to complete the IRS Identity Theft Affidavit, Form 14039, and follow the instructions on the back of the form based on their situation

The IRS has issued guidance for actual or potential identity theft, phone scam and phishing victims. Visit irs.gov/identity-theft-fraud-scams.

DAMAGE CONTROL
FOR IDENTITY THEFT VICTIMS

You receive a call from your credit card company inquiring about a large purchase in progress using your account that you know nothing about. Or perhaps you get a bill from a debt collector relating to an account that you didn't open. These are some of the ways that people learn they have been the victims of identity theft.

Nearly 60 million Americans have been affected by identity theft, according to a 2018 survey by The Harris Poll, which also reports nearly 15 million were affected in 2017, which netted thieves about $16.8 billion. If it happens to you, it's important to act quickly. Here are 11 steps you should take:

1 If you know that your identity or account has been misused with a certain retailer, financial institution or other organization, or that a credit or ATM card has been stolen, call the related organization immediately to report it. Change any PINs, passwords or logins related to the card or account.

2 Go online to the Federal Trade Commission's site at IdentityTheft.gov to report what's happened and create a report you can use to demonstrate that you've been a victim.

3 If fraudulent bank or investment accounts or lines of credit have been opened in your name, close them and ask the organizations involved to remove any inappropriate charges.

4 Place a fraud alert on your credit reports. This step, which is free, will make it more difficult for new accounts to be opened in your name. Contact one of the three credit rating agencies—Equifax, Experian or TransUnion—with your request and ask them to pass your request on to the other agencies. The initial alert will last 90 days, but you can choose to extend it.

5 Ask the credit agencies to send you a free copy of your credit report. Check for other signs that your identify has been misused—such as bogus accounts set up in your name—and let the related organizations know that fraud has been committed. Ask the agencies to correct your reports.

6 Carefully review other account statements for unauthorized activity.

7 Consider a credit freeze. When you make this request to the credit rating agencies, they won't share your credit report with new creditors, which prevents thieves from opening new accounts. As of Sept. 21, 2018, this is free, thanks to a new federal law.

8 Consider contacting the police to report the fraudulent activity. Get a copy of the police report in case you need it later to document the crime.

9 Replace any identification that was stolen. For your Social Security card, request a new one by calling (800) 772-1213. Report and replace a missing or misused driver's license to your local motor vehicle bureau. For a missing passport, contact the U.S. State Department at (877) 487-2778 and complete a Statement Regarding a Lost or Stolen U.S. Passport Book and/or Card (Form DS-64) and submit it as noted on the form.

10 Keep a record of these and all the other steps you take in case you need proof of any fraudulent activity and your steps to address it.

11 Remain vigilant and continue to review your credit reports and account statements for signs of misuse.

CHAPTER 5: TAXES

WITHHOLDING ITEMIZE DEDUCTIONS RETURNS CREDITS ENCRYPTED ACCESS PASSWORD TCJA SAFEGUARD DATA BREACH VERIFY

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HOW DOES TCJA AFFECT YOU?

In late December 2017, Congress passed what is commonly referred to as the Tax Cuts and Jobs Act. The legislation makes significant changes to many areas of the tax law, adding new provisions as well as revising, and even taking away, some long-standing rules. Here's a rundown of some key aspects of the law.

New tax brackets for individuals and corporations: Beginning in 2018, the tax brackets have been changed to 10, 12, 22, 24, 32, 35 and 37 percent. The top rate is down from 39.6 percent and rates are generally lower at various income levels. The new rate structure is set to expire at the end of 2025.

For businesses, the corporate tax rate is now 21 percent, down from a top rate of 35 percent previously. Unlike the individual tax rate changes, this rate reduction was made permanent. The corporate AMT is eliminated.

PROVISIONS AFFECTING INDIVIDUALS' TAX RETURNS:

- The standard deduction will jumped to $12,000 for single individuals and $24,000 for married couples. At the same time, the law eliminated the existing $4,050 personal exemption for every taxpayer and their dependents. For many people, that may mean they will no longer choose to itemize, since the new standard deduction may be higher than their total deductions. For larger families or single parents, the changes could reduce their chances to lower their taxable income. However, that problem could be offset by a doubling of the maximum child tax credit to $2,000. The phase-out for the child tax credit is also higher, beginning after income levels of $400,000 for married filing joint and $200,000 for all other taxpayers, so it is accessible to more taxpayers.

- For those who do itemize, there is no longer a limit on itemized deductions (this provision ends in 2025).

- A $10,000 cap on the total deduction for state and local taxes and property taxes: This could have a significant impact on taxpayers in high tax states and cities.

- The size of the mortgage for which you can deduct interest has also changed. Interest on new mortgages is deductible up to $750,000 in debt. The maximum amount of debt was previously $1 million. This does not affect mortgages in place before December 31, 2017, but should be considered in home financings going forward, since less of the interest will be deductible. It is also no longer possible to deduct home equity loan interest, unless the loan is used to buy, build or substantially improve the home that secures the loan. Up to $100,000 was previously deductible.

- Starting in 2019, there will be no penalty for individuals who do not have health care insurance.

- The estate tax exemption roughly doubles from $5 million to $10 million. Indexed for inflation in 2018, the exemption can be expected to be $11.2 million for individuals and $22.4 million for married couples. Above that level, estates are taxed at a 40 percent rate. The exemption also applies to the gift and generation-skipping transfer taxes, so families have an opportunity to transfer a great deal of wealth in the years before the exemptions are set to return to much lower levels in 2025.

- Expansion of Section 529 plans: According to OK4Saving.org, "You can use the funds for a lot more than just tuition—including required fees, certain room and board costs, books, supplies, as well as computers and related technology costs, such as Internet access fees and printers. Additional equipment required for attendance may also qualify. Funds can be used at most accredited colleges and universities in the United States—even certain colleges abroad. In addition, up to $10,000 annually can be used toward K-12 school tuition per student from all 529 plans." (www.ok4saving.org/plan/details.shtml)

- The alimony deduction is eliminated for divorces and separation agreements that go into effect after Dec. 31, 2018.

- Moving expenses, whether personal or reimbursed by an employer, can't be deducted except by a member of the military.

- You also will no longer be able to deduct unreimbursed business expenses, investment fees and expenses, hobby expenses, legal fees related to producing taxable income, safe deposit box rental, tax advice fees or casualty and theft losses that occur outside of a declared presidential disaster area.

NEW RULES FOR BUSINESSES:

- A maximum 20 percent deduction for "qualified business income" of pass-through entities: This rule, which is subject to various limitations, is available to sole proprietors, partnerships, LLCs and other non-corporate businesses. It begins to phase-out at $157,500 for most service providers ($315,000 phase-out for married taxpayers).

- An increase in the section 179 expensing to $1 million from $500,000, with a phase-out beginning at $2.5 million.

- Limits on net operating loss deductions: The deduction for losses, which was unlimited, is now limited to 80 percent of taxable income. Carrybacks are essentially eliminated (except for in certain losses in the trade or business of farming). NOLs can be carried forward indefinitely.

This far-reaching legislation will have immediate effects on many individuals and businesses. Contact your CPA for more details and visit the AICPA's 360 Degrees of Financial Literacy site, 360financialliteracy.org.

PLANNING FOR TAX CHANGES

Given the tax changes that took place in 2018, now is a good time to consider strategies to help you reduce your tax bill. The best way to begin is by pulling out the prior year's tax return along with your current pay stubs and account statements. Doing a few quick projections will help you estimate your present tax situation and identify any concerns to address while there's still time remaining in the year.

GET YOUR WITHHOLDING ON TRACK.

Every employer withholds a certain amount from your paycheck for taxes, and what they withhold is based on information that you give them. With the new tax law, the amount that is being withheld from your paycheck has likely changed. Make sure that amount is reflective of your current tax situation. Perhaps some of the tax changes may cause you to expect to owe more taxes in this year (loss of exemptions or certain itemized deductions, for example). Or you may have other changes in your situation that will cause the current year tax to be more than the prior year. In that case, ask your employer to increase your federal income tax withholding amounts. Changing withholding now can help you avoid possible penalties for under-withholding. On the other hand, if you often get a large refund or expect to see one this year because of a change in your income, you may want to reduce your withholding accordingly. That will put money in your pocket now, and you won't have to wait for your refund check to come next year. See a CPA for assistance with this calculation to ensure you have accounted for potential changes.

GIVE GIFTS THAT GIVE BACK.

If you itemize your deductions, consider donating money or property to charity to increase the amount you can deduct on your taxes. If you donate an appreciated asset, you won't have to pay tax on the gain and, in most circumstances, you will be able to take a deduction for the market value of the property.

POSTPONE THE INEVITABLE.

To reduce your taxable income during the year, consider maximizing pretax contributions to an employer-sponsored retirement plan, such as a 401(k). You won't be taxed on the contributions you make now and you may be in a lower tax bracket when you do eventually withdraw the funds and report the income.

If you qualify, you might also consider making either a tax-deductible contribution to a traditional IRA or an after-tax contribution to a Roth IRA. In the first instance, a current income tax deduction effectively defers income —and its taxation—to future years. In the second, while there's no current tax deduction allowed, qualifying distributions you take later will be tax free. You'll generally have until the due date of your federal income tax return to make these contributions.

COMMON TAX Q&As

ARE SCHOLARSHIPS AND GRANTS SUBJECT TO FEDERAL INCOME TAX?

That depends on several factors. If you are a candidate for a degree at an educational institution and receive a qualified scholarship or fellowship that you use for tuition, fees, and required expenses (e.g., books, supplies, and equipment), you need not include the scholarship amount in your taxable income. (Note: the IRS has provided specific guidance regarding the definitions of educational institution and degree candidate.) However, if your scholarship includes money for room, board, and other incidentals, those dollars are taxable. If you are not a candidate for a degree, your entire scholarship is taxable. If you receive a grant in exchange for performing required services for the school (e.g., working as a teaching assistant), the amount of the grant is generally taxable. Note: Different rules may apply to tuition reductions and reimbursements.

HOW LONG SHOULD I KEEP COPIES OF MY TAX RETURNS?

Generally, you should keep your tax returns and supporting information (i.e., receipts, W-2 forms, bank statements) for six to seven years. The IRS has three years to audit a return, or two years after you have paid the tax, whichever is later. However, if income was underreported by at least 25 percent, the IRS can look back six years, and there is no time limit for fraudulent tax returns.

CAN I TAKE THE CREDIT FOR THE ELDERLY OR DISABLED?

This federal income tax credit is available if you are a qualified individual and your income falls within specified limits. You are a qualified individual if you are either (1) age 65 or older at the end of the tax year or (2) are under age 65 and retired on permanent and total disability. You must also be a U.S. citizen or resident to qualify for the credit. If you are married, you and your spouse must file a joint tax return to qualify. However, if you and your spouse lived apart for the entire year, you have the option of filing either a joint return or separate returns.

Qualifying on the basis of age is straightforward. To qualify as disabled, though, you should note that the IRS considers you retired on disability as of the date you stopped working because of your disability.

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You are considered permanently and totally disabled if (1) you can't engage in any substantial gainful activity due to either your physical or mental condition and (2) the condition has lasted or will last for a continuous period of not less than one year (or is expected to result in death). You should obtain a physician's statement certifying your disability.

To qualify for the credit, you must also meet income requirements. Your income and nontaxable Social Security (or other nontaxable pension) must fall below specified amounts that vary with your filing status.

For more information, see Schedule R of your Form 1040.

IF I PREPAY NEXT YEAR'S TAXES THIS YEAR, CAN I DEDUCT THEM THIS YEAR?

It depends. Sometimes real estate taxes are prepaid. If you are the property owner, you can generally deduct prepaid real estate taxes in the year of the prepayment if (1) you are a cash basis taxpayer, (2)the taxes were assessed in the year they were paid, and (3) you don't live in a jurisdiction where the taxing authority considers prepayment a "deposit." Jurisdictions vary regarding how they treat prepaid tax. Be aware that taxes placed in escrow generally aren't deductible until they are paid to the taxing authority.

WHAT IS THE DIFFERENCE BETWEEN THE CHILD TAX CREDIT, THE FAMILY TAX CREDIT AND THE CHILD AND DEPENDENT CARE TAX CREDIT?

These credits are quite different. First, the child tax credit: The purpose of this credit is simply to provide tax relief for parents, working or not, who have qualifying children under the age of 17. A qualifying child may be a dependent child, stepchild, adopted child, sibling or stepsibling (or descendant of these individuals), or an eligible foster child. The child must be a U.S. citizen or resident with a valid Social Security Number and must live with you for over half the year.

The family tax credit provides relief for dependents that did not have gross income in excess of certain amounts for that year. Generally, these dependents will be qualifying children who are older than the child tax credit age or qualifying relatives, such as dependent parents, stepparents, grandparents, siblings, aunts, uncles and in-laws. Your dependent must be a U.S. citizen or resident. A qualifying dependent is not required to have lived with you but is someone who received more than half of his or her financial support from you over the year.
If you're eligible, you may be able to take a credit on your federal income tax return of up to $2,000 per child for the child tax credit and $500 for the family tax credit. These credits begins to phase out if your modified adjusted gross income (MAGI) exceeds a certain level.

The child and dependent care tax credit offers relief to working people who must pay someone to care for their children or other dependents. You may qualify for a tax credit equal to 20 to 35 percent of expenses incurred when someone cares for your dependent child (under age 13), your disabled spouse or your disabled dependent so that you (and your spouse, if married) may work or look for work. The work-related expenses you can use when figuring the credit are limited to $3,000 for one qualifying individual and $6,000 for more than one qualifying individual.

For married persons to qualify for the credit, both spouses must work outside the home, or one must work outside the home while the other is a full-time student, is disabled or is looking for work (provided that the spouse looking for work has earnings during the year). Married couples must also file a joint income tax return. The credit is also available if you're a single parent or a divorced custodial parent.

For more information, consult a tax professional.

WHAT IS THE EARNED INCOME CREDIT AND WHO QUALIFIES FOR IT?

The earned income credit (EIC) is a refundable tax credit available to certain low-income individuals who have earned income, meet adjusted gross income thresholds, and do not have more than a specified amount of disqualified income (excess investment income). If you file a federal tax return and meet all applicable requirements, your income tax (if any) will be reduced and you might receive a refund.

To qualify for the EIC, you must meet all of the following requirements:

- Must have earned income;
- Tax return must cover a full 12 months (unless a short period is filed due to taxpayer's death);
- Filing status cannot be married filing separately;
- Cannot be a qualifying child of another taxpayer;
- Must not have filed forms related to foreign earned income;
- Must have no more than $3,500 of disqualified income (stock dividends, rental income, inheritance, etc.);

In addition, special rules will apply to taxpayers who have qualifying children and to taxpayers who do not have qualifying children. If you are eligible to claim the EIC and have at least one qualifying child, you can receive part of your credit in your paycheck during the year, rather than all at once at tax time. This is known as the advance EIC. However, several requirements apply. For more information, consult a tax professional.

IS IT A HOBBY OR A BUSINESS?

An avid photographer occasionally does wedding photography or sells some shots to the local paper. A stay-at-home parent with a passion for baking takes orders for birthday cakes or desserts for parties or someone who's great with crafts sells some of her creations online. Are they involved in a hobby or a business? That can be a challenging determination for taxpayers, and there are special Internal Revenue Service rules to answer that question, Here is some information to help you understand where you stand, how it affects your tax situation and help keep you in good standing with the IRS.

HOW DOES THE IRS DEFINE A BUSINESS?

Both hobby and business income is generally taxable. However, if your activities can be considered a business, then you can deduct the qualified expenses involved, even if they exceed the income that the business brings in. A key feature of a business is that it is undertaken to earn a profit. In the eyes of the IRS, an activity is presumed to be carried on for a profit if it has made a profit in at least three of the last five tax years, including the current year. (There's a slightly longer horizon for businesses that involve breeding, showing, training or racing horses.) If you haven't had the three years or more of profits, the IRS may take nine other factors into account. They include:

- Whether you carry on the activity in a businesslike manner;
- Whether the time and effort you put into the activity indicate you intend to make it profitable;
- Whether you depend on income from the activity for your livelihood;
- Whether your losses are due to circumstances beyond your control (or are normal in the startup phase of your type of business);
- Whether you change your methods of operation in an attempt to improve profitability;
- Whether you or your advisors have the knowledge needed to carry on the activity as a successful business;
- Whether you were successful in making a profit in similar activities in the past;
- Whether the activity makes a profit in some years and how much profit it makes; and
- Whether you can expect to make a future profit from the appreciation of the assets used in the activity.

The IRS will weigh your answers to these questions, consider your specific circumstances and come up with a determination for each situation. Your CPA can advise you not only on whether you likely qualify as a business under IRS rules, but also on the best strategic steps you can take to strengthen your company and put it on the road to greater productivity and profitability.

HOW DOES THE IRS DEFINE A HOBBY?

A hobby is something you do because you enjoy it, without necessarily expecting to make a profit. Hobby expenses are not deductible. Hobby expenses that exceeded hobby income are disallowed as nondeductible hobby losses. Prior to Jan. 1, 2018, hobby expenses were deductible up to hobby income. These expenses were taken as a miscellaneous deduction subject to 2 percent of adjusted gross income. In addition, the expenses must have been considered ordinary and necessary. An ordinary expense is one that is common and accepted for the activity. A necessary expense is one that is appropriate for the activity.

There is an estimated $30 billion a year in unpaid taxes, according to the IRS, and the incorrect deduction of hobby expenses contributes to that total. Your local CPA can help you ensure your tax return accurately reflects your activities and work with you to take steps that can help minimize your tax bill and achieve your other financial planning goals. If you don't have a CPA, get a free referral and free 30-minute consultation at www.FindYourCPA.com.

5 SMART TIPS TO PREPARE FOR TAX TIME

Many taxpayers dread the April tax deadline, but there are ways to make filing your return easier. Here are some tips to help you get started.

1. **Get organized.** By the end of January, you should have received tax forms from the organizations that paid you compensation last year. Even if you're not planning to get started on your tax return immediately, open a file now and start storing these forms, as well as any other relevant documents related to income, deductible expenses or other tax considerations. You'll be happy to have this information at your fingertips when you need it. Be sure to pull out last year's tax return, as well, in case you need any details from it or want to see how recent changes in tax law have affected your tax or financial situation.
2. **Document your deductions.** Throughout the year, it's a good idea to keep records of deductible expenses, but be aware that the new tax law may have an impact on which deductions you can take. For most taxpayers, the standard deduction nearly doubled to $12,000 in 2018 for individuals and $24,000 for couples, so many taxpayers may find they no longer need to itemize deductions. As a result, those taxpayers will not need to document related expenses. If you're not certain, based on the amount of your deductions last year, whether you'll need to itemize or not, be sure to hold on to your receipts until you're ready to file your return this year. You may need the record for

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state or local income tax purposes, as some federal deductions that were restricted – such as real estate taxes – can be taken in higher levels at the state level. This means that some people may want to take advantage of taking the standard Federal income tax deduction and itemizing in their state (which is allowed in some states). Your CPA can offer advice on whether to itemize and which deductions you qualify for.

3. **Review your retirement contributions.** Tax time is a good time to review your financial plan, including your retirement strategy. Particularly, if you're not taking full advantage of an employer match for your contributions to an employer-sponsored pension plan, now's the time to reconsider that decision. The money your company chips in to your account is like a free bonus that will only grow over the years. In addition, the earlier you start saving in an individual tax-advantaged retirement account, such as an IRA, the more time your money will have to accumulate. Need some advice on retirement planning? Remember that tax filing time is a good point to talk to your CPA about setting and reaching your retirement goals.

4. **Consider your goals for 2019 and beyond.** Your tax return offers a good snapshot of where you stand financially. It can help you understand if your monthly budgeting is realistic, if you're saving enough and if you're taking advantage of all your tax-saving opportunities. Take some time now to think about your own financial goals, such as paying down debt or saving for a home, children's education or retirement. Consider which ones are most important to you, then use the information you gather for your tax return to decide whether you're on track to meet your goals. If not, you can make some adjustments either in the expected timing of your objectives or in your current spending or saving habits.

5. **Be prepared for changes in business taxes.** The new tax law made some meaningful changes for small business owners and many independent contractors. They include a lowering of the corporate tax rate, a large deduction for small pass-through organizations, elimination of the corporate AMT, higher depreciation deductions and tougher requirements for some business deductions. Ask your CPA for more details.

TAX TIPS FOR YOUR TEEN'S SUMMER JOB

Is your teenager planning to get a job this summer? About one-third of kids between 16 and 19 work during their summer break, according to the Pew Research Center. But what do they need to know about the financial side of life in the workforce? The Oklahoma Society of Certified Public Accountants offers teen workers and their parents tips on taxes and summer employment.

1. **Plan for taxes.** Students may hear a lot about taxes in the news or at the dinner table, but a summer job is likely their first experience in actually paying taxes. As a result, they may be surprised when they receive their first paycheck and find that it's not quite as much as they expected. If they have big dreams for using or saving the money they'll earn, it's important to know how much money they'll actually take home and how much will be withheld each week so their plans remain on course.

2. **Get the information you need.** Employers generally ask every worker—including temporary summer help—to fill out a federal Form W-4 and a state Form W-4 (if applicable), which gathers information about them and is used to calculate the amount of federal and state income taxes that should be withheld from every paycheck. Even if the employee doesn't earn enough to owe federal and state income taxes, employers typically must withhold Social Security and Medicare taxes. An employee's first paycheck, which should detail how much is being withheld for various taxes, will provide a great deal of information and make it easier to budget for the rest of the summer.

3. **Tips are taxable too.** When teens' summer jobs include tips, they should be sure to keep daily records of all cash tips received and report total cash tip income of $20 or more in any month to their employers. All the tips they earn in a year must be reported on their tax returns, as well.

4. **Expect taxes even if you're self-employed.** Self-employed entrepreneurs who spend the summer doing things like running a landscaping business, selling products online or doing tech consulting, may need to make quarterly, estimated tax payments based on their earnings. They should be sure to keep thorough records and receipts so they can track income and estimate quarterly tax bills, as well as qualify for deductions that might lower their total taxable income and the taxes they owe.

5. **Know whether to file or not.** If a teenager can be claimed as a dependent on someone else's tax return, they generally don't have to file a return if his or her total income for tax year 2018 was less than $12,000. That may be more than many summer workers make, but there may be some situations in which filing a return is a good idea. One clear situation is if taxes were withheld from the summer employee's pay and he or she is now due a tax refund.

6. **Look for a W-2.** By the end of January following the summer when the student worked, he or she will receive a Form W-2 from his or her employer. This form includes important information to be used when filing a tax return.

7. **It's never too early to discuss retirement.** The power of compound interest works greatly in your kid's financial favor if he or she starts saving early for retirement. Consider a Roth IRA contribution on earned income.

A summer job is a great way to build up savings for college or other goals and to gain experience in the workforce. If your family has questions about taxes or any other financial topic, be sure to contact your CPA with all your financial questions. If you don't have one, get a free referral and free 30-minute consultation at www.FindYourCPA.com.

8 TIPS FOR FILING YOUR TAX RETURN

Before you file, read over these tips to cover all the angles.

1. Filing an extension: Filing an extension does not mean you have an extension to pay. If you do not pay the tax you owe on the due date, you will pay interest and may have to pay a penalty.

2. Document charitable contributions scrupulously: Charitable contributions are getting more scrutiny from the Internal Revenue Service (IRS), so if you claim them as itemized deductions, be sure you have written acknowledgement from the charitable organizations for contributions of $250 or more. The letter must include the name of the organization, description of the property or cash contributed, the value of any goods or services received in exchange for the contribution or the statement "no goods or services were received" and the date of the contribution. Contributions can only be claimed if they are made to qualified organizations. Use the IRS Exempt Organizations Select Check website to confirm an organization is qualified. If the organization isn't listed, you can contact the organization and ask for its most recent 501(c)(3) determination letter. If your contribution is for less than $250, be sure to keep a precise record to support your donation.

3. New due dates for some returns: Some information forms taxpayers need in order to file their tax returns will be available earlier. Visit the IRS's website for more information (irs.gov).

4. Fewer taxpayers will have to amend returns: Incorrect information returns, such as Forms 1099 and Schedules K-1, have been a major reason taxpayers have to file amended tax returns. Now, taxpayers who receive corrected information returns after filing their taxes will not have to amend their returns if the error is no more than $100 in income or no more than $25 in withholding or backup withholding. Information returns with these de minimis errors will be considered as having been filed with the correct information.

5. ID theft is still a big risk: Tax season is bonus time for identity thieves. Vigilantly protect your personal and financial information. Never send your tax return information to a tax preparer electronically unless it's encrypted or is being submitted to the preparer through a secure portal. Shred draft copies of your tax return. Be wary of phishing scams that may take the form of a phone call, email, text or post on your social media account from an institution you'd normally trust. ***The IRS's first contact with a taxpayer is always with a mailed letter.***

6. Private debt collectors are on the job: The IRS will begin to use private debt collectors for certain overdue federal tax bills. Taxpayers whose tax debts are turned over to the debt collection agencies will receive a letter from the IRS to let them know, and the debt collection agency will send another letter confirming that it is responsible for collecting the debt. The collection agencies are allowed to identify themselves as IRS contractors and must follow the rules under the Fair Debt Collection Practices Act. Any checks should be paid to the U.S. Treasury, not the private debt collection agency. If you have an outstanding federal tax bill, consider contacting the IRS to apply for an online payment agreement, to make an offer in compromise or to request a temporary delay in collection. It's often wise to consult a tax professional who has experience with these programs if you're in this situation.

7. Some ITINs have expired: Taxpayers who use an Individual Taxpayer Identification Number (ITIN) may need a new one. ITINs expire if not used on a federal tax return at least once every three years. And, beginning in 2017, all ITINs issued prior to 2013 will have to be renewed on a rolling renewal schedule. If you're in this situation, submit your application for renewal (Form W-7) and the required documentation now or attach the forms and documentation to your federal tax return. Filing your tax return without a renewed ITIN or without the renewal application will result in an adjustment to your return as filed. The return will be processed, but no refunds will be issued and any exemptions or credits claimed on the return will be denied. If tax is owed as a result of these adjustments, interest and penalties may be due. Read more about expiring ITINs on the IRS website at irs.gov.

8. Choose your tax preparer wisely: If you decide to hire a CPA or other tax professional to prepare your taxes, get referrals, verify their credentials, check to see if they have any consumer complaints filed against them, interview them, and ask them how they bill and inquire about how they secure their clients' financial information. Make sure they have an IRS Preparer Tax Identification Number (PTIN). It's required by law. If they don't have one, walk away. Other red flags when looking to hire a tax preparer include not asking to see your prior year's return, refusing to tell you how they bill, suggesting a tax credit or deduction that makes you uncomfortable, asking you to sign an incomplete or blank return or wanting your refund to be deposited into their bank account instead of yours.

FIXING TAX RETURN PROBLEMS

According to IRS.gov, more than 150 individual tax returns for 2018 are expected to be filed this year, with the vast majority coming before the April deadline. As of Feb. 22, 2019, the IRS had already received nearly 50 million individual income tax returns. Many of the people filing those returns undoubtedly had at least a little anxiety, worrying about errors they might have made or audits they might face. The good news is there are remedies for some of the potential problems that could keep you up at night as the tax deadline looms.

WHAT IF YOU MAKE A MISTAKE?

You've filed your return. What a relief! But then, to your horror, you find income or a credit that you failed to include. When you've made a mistake or omission on your taxes, you can fix the problem by filing an amended return. In some cases, no amendment may be necessary, such as when you make a math error or if you didn't send in a form related to information that is included on your return. The Internal Revenue Service will normally correct math errors and mail you a request for missing forms. If you realize that you owe more tax than you reported because of an error or omission, you should pay the extra amount as soon as possible to avoid being charged penalties or interest. If you expect a refund but now believe you qualify for a larger one because of your error or omission, the IRS advises that you wait to receive your initial refund before filing your amended return.

An amended return claiming a refund must generally be filed within three years of the date you filed your original return. And here's one omission that you have some time to fix: Did you forget to make all your contributions to a tax-advantaged Individual Retirement Account (IRA) last year? Don't worry. In most cases, you're eligible to make a contribution right up until tax filing day.

WHAT IF YOU FILE YOUR RETURN LATE?

If you miss the April deadline or you've failed to file in the past, your critical first step is to file your return as soon as possible, even if you can't afford to pay some or all of your outstanding taxes immediately. The sooner you file and pay what you can, the less exposure you will have to interest and penalties. If your tax bill remains unpaid, the IRS will begin collection efforts that could result in a levy on your wages or bank account or a federal tax lien. But you can help prevent those steps by filing your return and explaining your financial constraints to the IRS. The IRS has an installment agreement program and other programs designed to make it easier for those who can't pay their taxes immediately. If you're owed a refund, you'll miss out on it if you don't file a return, so, once again, it's in your best interest to get your taxes done.

WHAT IF I CAN'T PAY MY TAX BILL?

You finish your tax return, and you get a very unpleasant surprise. Instead of looking forward to a refund, you owe $3,000 in taxes this year. Or maybe you got a notice from the IRS telling you that you owe $9,000 because you took some money out of your retirement account two years ago in what you thought would be a tax-free withdrawal. No matter how it happened, you owe the IRS and you don't have the money to pay them. What do you do?

The first step is to remain calm because there are solutions available. At the same time, don't ignore the problem. The amount you owe will only get bigger if you put off dealing with it since you'll start to rack up penalties and interest. If you don't contact the IRS or pay at least some of your bill, the IRS may seek to take your assets and wages to pay the bill, as well. It's possible to avoid these bad outcomes, though. Here are some possible solutions.

PAY WHAT YOU CAN NOW.

Since filing your return on time is critical, this can be an option if you're short on cash now but expect to have more money later. If you pay at least some of your tax bill, it will reduce the penalties and interest you'll be charged for a late payment.

If you send in less than you owe, you should receive a bill for the balance in about 45 days. If you still can't pay, call or write the contact on the bill or visit the nearest IRS office to explain your situation. Depending on the situation, you may qualify for an agreement to make full payment within 60 or 120 days.

It's important to be aware that you will be charged penalties and interest while the balance is outstanding. You'll have more time, but the total you will pay could be much larger than if you had paid your taxes in full on time. Remember, too, that filing an extension won't help in this situation. An extension gives you more time to file your tax return but doesn't allow more time to pay your tax.

GET A LOAN.

Another choice is to borrow from a relative or close friend. If doing so allows you to pay in full on time, you will avoid interest and penalties. Be sure to draw up an agreement that sets out when payments will be made, how much each one will be and if you will pay any interest on the loan. One caveat: If you borrow more than $15,000 and pay no interest or below a reasonable market rate, there may be tax consequences.

Also, consider taking out an unsecured bank loan or using a home equity line of credit. You will have to pay interest on each loan, but it will probably be lower than the interest and penalties owed on the unpaid tax.

USE A CREDIT CARD.

With this option, be sure to use a card with a low-interest rate. That's especially true if you believe you'll need some time to pay off the balance, since the interest will add up quickly. Charging your tax payment on a high-interest-rate card could end up costing you more than the penalties and interest you would owe the IRS if you didn't pay on time. To use a credit card, you'll have to pay through a third-party service or a tax software program. In either case, you will be charged a fee that is a percentage of the payment. Contact the IRS to find out which credit cards are accepted.

ASK TO PAY IN INSTALLMENTS.

If you can't pay all at once, you may be able to get automatic approval for an installment agreement with the IRS (assuming you meet a few other requirements). Under this agreement, you make monthly payments of your bill until it's paid off.

WHAT IF I NEED TO AMEND A TAX RETURN?

You completed your tax return and submitted it on time. But while you thought tax time was behind you, suddenly you realize that you made a mistake on your return. What can you do? Don't panic: There is a process for amending your return if you discover you made an error or left something out. Here's some advice on when it's best to amend a return and what's involved.

WHEN SHOULD I AMEND? You should amend your return if you need to make changes to your reported income, filing status, deductions or credits. Let's say you did some part-time work on the weekends last summer and forgot to include that income on your return. Or maybe you just realized you're eligible for the American Opportunity tax credit based on college courses you took last year. These are some examples of reasons you may need to send in an amended return.

HOW DOES THE PROCESS WORK? You can generally amend a return up to three years from the date the original return was filed (or up to two years after the tax was paid, whichever is later). If you were due a refund from your original return and realize you deserve an additional refund, wait until you get the original refund before you file your amended return. Amended returns take up to 16 weeks to process. If you owe more tax, file your amended return and pay the tax as soon as you can to avoid possible interest or penalties you may be charged for paying late. And don't forget to amend your state tax returns, as well, if the same changes apply to them.

WHEN ISN'T IT NECESSARY? Not all mistakes require an amended return. If you made a math error, the Internal Revenue Service will automatically correct those errors for you. If you failed to attach necessary tax forms, the IRS will generally mail you a request for them.

WILL THE IRS CALL ME ABOUT A PROBLEM?

There are many criminals who try to scam people by pretending to represent the IRS and demanding money. The IRS does not initiate contact with taxpayers by email, text or social media to ask for personal or financial information. Don't click on attachments or links in emails claiming to be from the IRS or provide confidential information on websites associated with them. In addition, the IRS usually initiates contact with taxpayers by mail, not by phone, and says it would never call to threaten things such as arrest, deportation or license revocation when attempting to collect taxes. Call the IRS at (800) 829-1040 or contact your local CPA if you have any questions about an IRS communication that you receive.

CONTACT YOUR LOCAL CPA. If you believe you need to amend your return, or if you have questions about any tax-related issues, turn to your CPA for help. He or she can help you create a plan to resolve your issues. If you don't have a CPA, get a free referral and free 30-minute consultation at FindYourCPA.com.

UNDERSTAND TAX ID THEFT AND WHAT YOU CAN DO ABOUT IT

WHAT IS TAX ID THEFT?

Tax ID theft occurs when someone uses your stolen Social Security number to file a tax return claiming a fraudulent refund. You may be unaware that this has happened until you file your return and discover a return has already been filed using your SSN. Also, the IRS may send a letter stating they have identified a suspicious return using your SSN.

Here are some possible warning signs:

- More than one return was filed using your SSN.
- You owe additional tax, refund offset or a collection action has been taken against you for a year you did not file a tax return.
- IRS records indicate you received wages or other income from an employer for whom you did not work. (Source: IRS.gov)

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For tax-related identity theft matters, CPAs are here to help, whether it's contacting the IRS to ensure your payments are properly credited to your account, helping to retrieve a refund issued to the wrong person or responding to IRS notices. Here is a checklist of organizations and what you can do to combat identity theft, especially during tax-filing season.

CREDIT AGENCIES

- Report the identity theft to the fraud department of one of the following reporting agencies as soon as possible. They must notify the other two agencies.
- Equifax: equifax.com
- Experian: experian.com
- TransUnion: transunion.com
- Request a copy of your credit report and that only the last four digits of your Social Security number be placed on the report.
- Close accounts that you think have been compromised or opened fraudulently.
- Inform the credit bureaus and the credit issuers (in writing) of any fraudulent accounts and incorrect information.
- Obtain replacement credit cards with new, secure account numbers and destroy any old cards.
- Notify those who have received your credit report in the last six months to alert them to any disputed, fraudulent or incorrect information.
- Confirm that an extended fraud alert (seven years) is placed on your credit report.

FEDERAL TRADE COMMISSION (FTC)

Report the crime to the FTC to establish an Identity Theft Affidavit.

LOCAL POLICE

- Report the crime to your local police or sheriff's department. Make sure to provide as much documented evidence as possible.
- Verify that the report lists the fraudulent accounts and keep a copy of the report.

INTERNAL REVENUE SERVICE (IRS)

- Contact the IRS to report tax-related identity theft. This will alert them to any claim for refund or other activity on your account. File IRS Form 14039, Identity Theft Affidavit.
- IRS Identity Protection Specialized Unit (IPSU): (800) 908-4490.
- Contact your local CPA with any questions.
- State Tax Agency
- Contact your state tax agency to report the theft. Some agencies may require a police report and/or the IRS affidavit.

OTHER AGENCIES AND ORGANIZATIONS

U.S. mail fraud: Contact your local postal inspector.

- Online: postalinspectors.uspis.gov
- Phone: (800) 275-8777
- Social Security number misuse - non-IRS issues:
- Check your earnings record to make sure no one is using your identification number to obtain work. Call your local Social Security Administration (SSA) office if something looks inaccurate. Contact the SSA Inspector General to report Social Security benefit fraud, employment fraud or welfare fraud.
- Online reporting resources: oig.ssa.gov/
- SSA fraud hotline: (800) 269-0271

HEALTH INSURANCE PROVIDER

Contact your health insurance company if your insurance card was accessed or stolen to help prevent the thief from using your insurance. Similarly, notify Medicare if your Medicare card was accessed or stolen.

UTILITIES AND BROKERS

Contact your local utility providers (gas, electric, cable, internet, cellular carrier, etc.) to ensure no new accounts are opened in your name. Similarly, let your investment or retirement account company know your identity documents were stolen so they will be alert to any suspicious activity on your account.

DEBT COLLECTORS

- Tell collectors that you are a victim of fraud, and therefore, not responsible for the account.
- Ask for the name of the collection company/the name of the person contacting you, the phone number and the address.
- Ask for the name and contact information for the referring credit issuer, the amount of the debt, account number and dates of the charges.
- Ask if the debt collector needs you to complete a specific fraud affidavit form or whether the FTC affidavit may be used.
- Follow up, in writing, with the debt collector and ensure that they confirm, in writing, that you do not owe the debt and that the account has been closed.

WHAT ELSE CAN YOU DO?

- Create an identity theft file (keep copies of everything).
- Change all your account passwords. As an extra step, consider changing your username.
- In all communications with the credit bureaus, refer to the unique number assigned to your credit report. When mailing information, use certified, return receipt. Be sure to save all credit reports as part of your fraud documentation file.
- Review your credit report periodically. An extended fraud alert allows you to obtain two free credit reports from each of the credit reporting agencies within 12 months.
- Consider requesting a security freeze. By freezing your credit reports, you can prevent issuers from accessing your cred files unless you give them permission. This prevents thieves from opening up a new credit card and loan accounts. However, if you want to take out a loan or a credit line, you will need go through the steps to remove the freeze.
- Consider requesting a criminal background check to ensure your identity is not being used in connection with criminal activities.

CHAPTER 6: RETIREMENT PLANNING

COLA INVESTMENTS GROWTH
MONEY MARKET ACCOUNTS
SOCIAL SECURITY RMDs HEALTH CARE
CERTIFICATES OF DEPOSIT
DIVERSIFIED PORTFOLIO
401k MATCHING CONTRIBUTION

UNDERSTAND THE BASICS OF RETIREMENT PLANNING

You may have a very idealistic vision of retirement—doing all of the things that you never seem to have time to do now. But how do you pursue that vision? Social Security may be around when you retire, but the benefit you get from Uncle Sam may not provide enough income for your retirement years. To make matters worse, few employers today offer a traditional company pension plan that guarantees you a specific income at retirement. On top of that, people are living longer and must find ways to fund those additional years of retirement. Such eye-opening facts make sound retirement planning more critical than ever.

But there's good news: Retirement planning is easier than it used to be, thanks to the many tools and resources available. The AICPA and OSCPA offer some basic steps to get you started.

DETERMINE YOUR RETIREMENT INCOME NEEDS.

It's common to discuss desired annual retirement income as a percentage of your current income. Depending on who you're talking to, that percentage could be anywhere from 60 to 90 percent, or even more. The appeal of this approach lies in its simplicity. The problem, however, is that it doesn't account for your specific situation. To determine your specific needs, you may want to estimate your annual retirement expenses.

Use your current expenses as a starting point, but note that your expenses may change dramatically by the time you retire. If you're nearing retirement, the gap between your current expenses and your retirement expenses may be small. If retirement is many years away, the gap may be significant, and projecting your future expenses may be more difficult.

Remember to take inflation into account. The average annual rate of inflation over the past 20 years has been approximately 2.2 percent (Source: Consumer Price Index; U.S. Department of Labor, 2019). Also, keep in mind your annual expenses may fluctuate throughout retirement. For example, if you own a home and are paying a mortgage, your expenses will drop if the mortgage is paid off by the time you retire. Other expenses, such as health-related expenses, will likely increase during your retirement years. A realistic estimate of your expenses will tell you about how much yearly income you'll need to live comfortably.

CALCULATE THE GAP.

Once you have estimated your retirement income needs, take stock of your estimated future assets and income. These may come from Social Security, a retirement plan at work, a part-time job and other sources. If estimates show your future assets and income will fall short of what you need, the rest will have to come from additional personal retirement savings.

FIGURE OUT HOW MUCH YOU'LL NEED TO SAVE.

By the time you retire, you'll need a nest egg that will provide you with enough income to fill the gap left by other income sources. But exactly how much is enough? The following questions may help you find the answer:

- At what age do you plan to retire? The younger you retire, the longer your retirement will be, and the more money you'll need to carry you through it.
- What is your life expectancy? The longer you live, the more years of retirement you'll have to fund.
- What rate of growth can you expect from your savings now and during retirement? Be conservative when projecting rates of return.
- Do you expect to dip into your principal? If so, you may deplete your savings faster than if you just live off investment earnings.

  Build in a cushion to guard against these risks.

BUILD YOUR RETIREMENT FUND.

When you know roughly how much money you'll need, your next goal is to save that amount. First, you'll have to map out a savings plan that works for you. Assume a conservative rate of return (e.g., 5 to 6 percent), and then determine approximately how much you'll need to save every year between now and your retirement to reach your goal. The next step is to put your savings plan into action. It's never too early to get started (ideally, begin saving for retirement in your 20s). To the extent possible, you may want to arrange to have certain amounts taken directly from your paycheck and automatically invested in accounts of your choice (e.g., 401(k) plans, payroll deduction savings). This arrangement reduces the risk of impulsive or unwise spending that will threaten your savings plan. In other words, out of sight, out of mind. If possible, save more than you think you'll need to provide a cushion.

UNDERSTAND YOUR INVESTMENT OPTIONS.

You need to understand the types of investments that are available and decide which ones are right for you. If you don't have the time, energy or inclination to do this yourself, hire a financial professional. He or she will explain the options and will assist in selecting investments that are appropriate for your goals, risk tolerance and time horizon. Note that many investments may involve the risk of loss of principal. Use the right savings tools.

The following are among the most common retirement savings tools, but others are also available.

- Employer-sponsored retirement plans that allow employee deferrals (like 401(k), 403(b), SIMPLE, and 457(b) plans) are powerful savings tools. Your contributions come out of your salary as pretax contributions (reducing your current taxable income) and any investment earnings are tax deferred until withdrawn. These plans often include employer-matching contributions and should be your first choice when it comes to saving for retirement. Some plans, like 401(k), 403(b) and 457(b), can also allow after-tax Roth contributions. While Roth contributions don't offer an immediate tax benefit, qualified distributions from your Roth account are free of federal income tax.

- IRAs, like employer-sponsored retirement plans, feature tax deferral of earnings. If you are eligible, traditional IRAs may enable you to lower your current taxable income through deductible contributions. Withdrawals, however, are taxable as ordinary income (unless you've made nondeductible contributions, in which case a portion of the withdrawals will not be taxable).

- Roth IRAs don't permit tax-deductible contributions but allow you to make completely tax-free withdrawals under certain conditions. With both types, you can typically choose from a wide range of investments to fund your IRA.

- Annuities are contracts issued by insurance companies. Annuities are generally funded with after-tax dollars, but their earnings are tax deferred (you pay tax on the portion of distributions that represents earnings). There is generally no annual limit on contributions to an annuity. A typical annuity provides income payments beginning at some future time, usually retirement. The payments may last for your life, for the joint life of you and a beneficiary, or for a specified number of years (guarantees are subject to the claims-paying ability of the issuing insurance company). Annuities may be subject to certain charges and expenses, including mortality charges, surrender charges, administrative fees and other charges.

If you need personalized financial planning advice, talk to your CPA. In Oklahoma, you can get a free referral and free 30-minute consultation at FindYourCPA.com.

SAVING FOR RETIREMENT AND A CHILD'S EDUCATION AT THE SAME TIME

You want to retire comfortably when the time comes. You also want to help your child go to college. So how do you juggle the two? The truth is, saving for your retirement and your child's education at the same time can be a challenge. But take heart—you may be able to reach both goals if you make some smart choices now.

KNOW YOUR FINANCIAL NEEDS.

The first step is to determine what your financial needs are for each goal. Answering the following questions can help you get started:

For retirement:

- How many years until you retire?
- Does your company offer an employer-sponsored retirement plan or a pension plan? Do you participate? If so, what's your balance? Can you estimate what your balance will be when you retire?
- How much do you expect to receive in Social Security benefits? (You can estimate this amount by using your Personal Earnings and Benefit Statement, from the Social Security Administration, www.ssa.gov.)
- What standard of living do you hope to have in retirement? For example, do you want to travel extensively, or will you be happy to stay in one place and live more simply?
- Do you or your spouse expect to work part-time in retirement?

For college:

- How many years until your child starts college?
- Will your child attend a public or private college? What's the expected cost?
- Do you have more than one child for whom you'll be saving?
- Does your child have any special academic, athletic or artistic skills that could lead to a scholarship?
- Do you expect your child to qualify for financial aid?

Many on-line calculators are available to help you predict your retirement income needs and your child's college funding needs. Figure out what you can afford to put aside each month.

After you know what your financial needs are, the next step is to determine what you can afford to put aside each month. To do so, you'll need to prepare a detailed family budget that lists all of your income and expenses. Keep in mind, though, that the amount you can afford may change from time to time as your circumstances change. Once you've come up with a dollar amount, you'll need to decide how to divvy up your funds.

RETIREMENT TAKES PRIORITY.

Though college is certainly an important goal, you should probably focus on your retirement if you have limited funds. With generous corporate pensions mostly a thing of the past, the burden is primarily on you to fund your retirement. But if you wait until your child is in college to start saving, you'll miss out on years of tax-deferred growth and compounding of your money. Remember, your child can always attend college by getting scholarships, working or by taking out student loans, but there's no such thing as a retirement loan!

IF POSSIBLE, SAVE FOR YOUR RETIREMENT AND YOUR CHILD'S COLLEGE AT THE SAME TIME.

Ideally, you'll want to try to pursue both goals at the same time. The more money you can squirrel away for college bills now, the less money you or your child will need to borrow later. Even if you can allocate only a small amount to your child's college fund, say $50 or $100 a month, you might be surprised at how much you can accumulate over many years. For example, if you saved $100 every month and earned 8 percent, you'd have $18,415 in your child's college fund after 10 years. (This example is for illustrative purposes only and does not represent a specific investment.)

If you're unsure how to allocate your funds between retirement and college, a professional financial planner may be able to help you. This person can also help you select the best investments for each goal. Remember, just because you're pursuing both goals at the same time doesn't necessarily mean that the same investments will be appropriate. Each goal should be treated independently.

HELP! I CAN'T MEET BOTH GOALS!

If the numbers say that you can't afford to educate your child or retire with the lifestyle you expected, you'll have to make some sacrifices. Here are some things you can do:

- Defer retirement: The longer you work, the more money you'll earn and the later you'll need to dip into your retirement savings.
- Work part-time during retirement.
- Reduce your standard of living now and/or in retirement. You might be able to adjust your spending habits now in order to have money later. Or, you may want to consider cutting back in retirement. Just remember to be realistic about your expenses and your spending habits.
- Increase your earnings now. You might consider increasing your hours at your current job, finding another job with better pay, taking a second job or having a previously stay-at-home spouse return to the workforce.
- Invest more aggressively. If you have several years until retirement or college, you might be able to earn more money by investing more aggressively (but remember that aggressive investments mean a greater risk of loss).
- Expect your child to contribute more money to college. Despite your best efforts, your child may need to take out student loans or work part-time to earn money for college.
- Send your child to a less expensive school: You may have dreamed your child would follow in your footsteps and attend an Ivy League school. However, unless your child is awarded a scholarship, you may need to lower your expectations. Don't feel guilty—a lesser-known liberal arts college or a state university may provide your child with a similar quality education at a far lower cost.
- Think of other creative ways to reduce education costs. Your child could attend a local college and live at home to save on room and board, enroll in an accelerated program to graduate in three years instead for four, take advantage of a cooperative education where paid internships alternate with course work or defer college for a

year or two and work to earn money for college. See this booklet's chapter on College and Young Adults for more ideas on saving.

CAN RETIREMENT ACCOUNTS BE USED TO SAVE FOR COLLEGE?

Yes. Should they be? Probably not. Most financial planners discourage paying for college with funds from a retirement account. They also discourage using retirement funds for a child's college education if doing so will leave you with no funds in your retirement years. However, you can certainly tap your retirement accounts to help pay the college bills if you need to. With IRAs, you can withdraw money penalty free for college expenses, even if you're under age 59½ (though there may be income tax consequences for the money you withdraw).

But with an employer-sponsored retirement plan like a 401(k) or 403(b), you'll generally pay a 10 percent penalty on any withdrawals made before you reach age 59½ (age 55 in some cases), even if the money is used for college expenses. You may also be subject to a six month suspension if you make a hardship withdrawal. There may be income tax consequences, as well. (Check with your plan administrator to see what withdrawal options are available to you in your employer-sponsored retirement plan.)

If you need help, check with your CPA. Many CPAs are also Certified Financial Planners (CFP®) and/or Personal Financial Specialists (PFS). You can get a free referral and a free 30-minute consultation in Oklahoma at FindYourCPA.com.

5 TIPS ON STOCK MARKET INVESTING

Have you always wondered about investing in the stock market but were hesitant to give it a try? Or maybe you've only recently accumulated enough extra money to start considering investing. In either case, there are a few steps to take as you begin to navigate the market. The Oklahoma Society of Certified Public Accountants offers five tips to help you get started.

1. **Understand the basics.** When you buy a share of a company's stock, you're getting a small part of the ownership of that company. The price of the share is based on a variety of factors that reflect the market's perceived value of the company based on numerous considerations, including its current earnings and future prospects. Variations in the price of a stock can also be driven by fluctuations in the economy, the industry of the company and the overall stock market.

2. **Decide what to buy.** Before buying a stock, you should investigate the company to decide if you think it's a good investment. Among the many issues to consider are the overall strength of the industry and the company's products or services. Additionally, the company's profits, earnings history and outlook should be considered. To get this information, you can turn to financial reports and online research.

3. **Think long term.** If you're new to the game, it's generally best to consider the stock market as a long-term investment. The stock market can be volatile, but if the value of your investment is increasing over time, the ups and downs along the way may not affect your long-term goals. It's also a good idea to talk to your CPA about the tax implications of holding short-term vs. long-term investments.

4. **Know the pitfalls.** As part of your research, it's important to consider the risk associated with the investment. Since the price of stocks can go up or down, there is a chance of losing some or all of your money. That's not the case with other investments, such as money market accounts and certificates of deposit, especially when interest rates are low. However, the return on those safer investments may be less than what you could earn in the stock market. Your CPA can help you determine the right amount of risk for you given your own financial situation and risk tolerance.

5. **Address high-interest debts first.** While investing can be an important part of smart financial planning, stock market investments shouldn't take priority over paying your bills each month or lowering outstanding high-interest debt obligations, such as credit card balances. In addition, don't invest using money you know you will need in the near future.

The stock market can be a good investment, but there are clearly many things to consider before taking the plunge. A CPA can help. If you don't have one, get a free referral and free 30-minute consultation in Oklahoma at FindYourCPA.com.

7 QUESTIONS ABOUT SOCIAL SECURITY

Did you know 67 million people received benefits from programs administered by the Social Security Administration (SSA) in 2017? Of those, 5.5 million were newly awarded benefits, 55 percent of beneficiaries were women and 86 percent of Supplemental Security Income (SSI) recipients received payments because of a disability or blindness (Source: SSA.gov). In August, the Center on Budget and Policy Priorities said one in every six U.S. residents collected Social Security benefits in June 2018. The average Social Security retirement benefit in June 2018 was $1,413 a month, or about $17,000 per year. While they may not seem like a lot, for some, its's all they have. Understanding Social Security may help you utilize it to your greatest benefit.

1. How does Social Security work?

The Social Security system is based on a simple premise: Throughout your career, you pay a portion of your earnings into a trust fund by paying Social Security or self-employment taxes. Your employer, if any, contributes an equal amount. In return, you receive certain benefits that can provide income to you when you need it most—at retirement or when you become disabled, for instance. Your family members can receive benefits based on your earnings record, too. The amount of benefits you and your family members receive depends on several factors, including your average lifetime earnings, your date of birth and the type of benefit for which you are applying.

Your earnings and the taxes you pay are reported to the SSA by your employer, or if you are self-employed, by the Internal Revenue Service (IRS). The SSA uses your Social Security number to track your earnings and your benefits.

You can estimate your retirement benefit online based on your actual earnings record using the Retirement Estimator calculator online at ssa.gov/benefits/retirement/estimator. Other benefit calculators are also available that can help you estimate disability and survivor's benefits.

2. When is someone eligible for Social Security benefits?

When you work and pay Social Security taxes, you earn credits that enable you to qualify for Social Security benefits. You can earn up to 4 credits per year, depending on the amount of income you have. Most people must build up 40 credits (10 years of work) to be eligible for Social Security retirement benefits, but need fewer credits to be eligible for disability benefits or for their family members to be eligible for survivor's benefits.

3. How are retirement benefits calculated?

Your Social Security retirement benefit is based on your average earnings over your working career. Your age at the time you start receiving Social Security retirement benefits also affects your benefit amount. If you were born between 1943 and 1954, your full retirement age is 66. Full retirement age increases in two-month increments thereafter, until it reaches age 67 for anyone born in 1960 or later.

But you don't have to wait until full retirement age to begin receiving benefits. No matter what your full retirement age, you can begin receiving early retirement benefits at age 62. There is one advantage: Although you'll receive a reduced benefit if you retire early, you'll receive benefits for a longer period than someone who retires at full retirement age.

You can also choose to delay receiving retirement benefits past full retirement age. If you delay retirement, the Social Security benefit that you eventually receive will be as much as 6 to 8 percent higher. That's because you'll receive a delayed retirement credit for each month you delay receiving retirement benefits, up to age 70. The amount of this credit varies, depending on your year of birth.

4. What are disability benefits?

If you become disabled, you may be eligible for Social Security disability benefits. The SSA defines disability as a physical or mental condition severe enough to prevent a person from performing substantial work of any kind for at least a year. This is a strict definition of disability, so if you're only temporarily disabled, don't expect to receive Social Security disability benefits—benefits won't begin until the sixth full month after the onset of your disability. And because processing your claim may take some time, apply for disability benefits as soon as you realize that your disability will be long term.

5. How are family benefits determined?

If you begin receiving retirement or disability benefits, your family members might also be eligible to receive benefits based on your earnings record. Eligible family members may include:

- Your spouse age 62 or older, if married at least 1 year;
- Your former spouse age 62 or older, if you were married at least 10 years;
- Your spouse or former spouse at any age, if caring for your child who is under age 16 or disabled;
- Your children under age 18, if unmarried;
- Your children under age 19, if full-time students (through grade 12) or disabled; or
- Your children older than 18, with a disability that began before age 22.

Each family member may receive a benefit that is as much as 50 percent of your benefit. However, the amount that can be paid each month to a family is limited. The total benefit that your family can receive based on your earnings record is about 150 to 180 percent of your full retirement benefit amount. If the total family benefit exceeds this limit, each family member's benefit will be reduced proportionately. Your benefit won't be affected.

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6. What are survivor's benefits?

When you die, your family members may qualify for survivor's benefits based on your earnings record. These family members include:

- Your widow(er) or ex-spouse age 60 or older (or age 50 or older if disabled);
- Your widow(er) or ex-spouse at any age, if caring for your child who is under 16 or disabled;
- Your children under 18, if unmarried;
- Your children under age 19, if full-time students (through grade 12)
- Your children can get benefits at any age if they were disabled before age 22 (Please note disabled children whose parents have limited income and resources may be eligible for Supplemental Security Income (SSI) benefits):
- Your widow(er) or children may also receive a one-time $255 death benefit immediately after you die.

HOW CAN YOU APPLY FOR SOCIAL SECURITY BENEFITS?

You can apply for Social Security benefits in person at your local Social Security office. You can also begin the process by calling (800) 772-1213 or by filling out an online application on the Social Security website (ssa.gov). The SSA suggests you contact its representative the year before the year you plan to retire, to determine when you should apply and begin receiving benefits. If you're applying for disability or survivor's benefits, apply as soon as you are eligible.

Depending on the type of Social Security benefits for which you are applying, you will be asked to furnish certain records, such as a birth certificate, W-2 forms and verification of your Social Security number and citizenship. The documents must be original or certified copies. If any of your family members are applying for benefits, they will be expected to submit similar documentation. The SSA representative will let you know which documents you need and help you get any documents you don't already have.

RETURNING TO WORK AFTER RETIREMENT CAN AFFECT BENEFITS AND TAXES

Returning to work after retirement can affect benefits and taxes Rather than leaving work at age 65 and going fishing or focusing on gardening, many retirees are celebrating retirement by going back to work. According to 2017 research from the Pew Research Center, baby boomers make up one quarter of the U.S. labor force. Regardless of the reason, it's important to understand how going back to work might impact retirement benefits and taxes.

Individuals thinking about returning to the workforce after retiring need to learn if and how Social Security benefits, health insurance and taxes will be affected so they don't lose benefits or end up in a higher tax bracket. Keep the following in mind when considering employment after retirement:

1. Social Security Benefits: If you're aged 62 or older, you may have already decided to start receiving retirement benefits. However, if you get a new job and expect your income to increase, you're required to notify the Social Security Administration (SSA). If you receive benefits, but are not yet at full retirement age (as defined by the SSA), some of your benefits may be reduced. For example, if you're younger than full retirement age during all of 2019, SSA will deduct $1 from benefits each $2 earned above $17,640 (Source: SSA.gov).

The SSA full retirement age has been gradually increasing, but it's currently between 65 and 67 years old, depending on the year you were born (it is age 67 for everyone born in 1960 and later). If you reach full retirement age during 2019, the SSA will deduct $1 from your benefits for each $3 you earn above $46,920 (Source: SSA.gov).

If you return to work after starting to receive benefits, you may be able to receive a higher benefit based on those earnings. The SSA automatically re-computes your benefit amount after the additional earnings are credited to your earnings record. Moreover, you can repay all SSA benefits collected to date with no interest, and the benefits will be reset to a higher number based on your current age and past earnings.

2. Income Tax: Going back to work might mean more money, but it also might bump you into a higher tax bracket. In addition, extra distributions or benefits received on top of your salary may count as additional income. You could also find yourself in a higher tax bracket by taking pension distributions on top of a regular salary or by collecting Social Security benefits while you continue working. You should consider having a CPA crunch the numbers to see how close your current income is to the next tax bracket. As much as 85 percent of your Social Security benefits can be taxable if your other income, including tax exempt interest plus half of your Social Security, exceeds the threshold. According to the online Benefits Planner at www.SSA.gov, if you:

- File a federal tax return as an "individual" and your combined income is
  - Between $25,000 and $34,000, you may have to pay income tax on up to 50 percent of your benefits.
  - More than $34,000, up to 85 percent of your benefits may be taxable.
- File a joint return, and you and your spouse have a combined income that is
  - Between $32,000 and $44,000, you may have to pay income tax on up to 50 percent of your benefits
  - More than $44,000, up to 85 percent of your benefits may be taxable.
  - Are married and file a separate tax return, you probably will pay taxes on your benefits.

(See IRS Publication 554. Also, note the SSA defines "combined income" as your adjusted gross income, plus any nontaxable interest, plus half of your Social Security benefits.)

3. Health Care: Health insurance is one of the biggest reasons many people under age 65 remain employed or return to the workforce. If you're age 65 or older and already covered by Medicare, check with your employer's human resources department about how the insurance coverage would work with your Medicare. You can also get information online at Medicare.gov. According to its website, the standard Part B premium amount is $135.50 (or higher depending upon income). The Medicare Part B deductible is $185 per year, then 20 percent of approved services.

4. Pension Plans and Retirement Accounts:

Returning to work will likely ease your financial situation and allow you to delay accessing your 401(k) account. If you have a traditional pension plan or IRA, rules will vary. Check with your pension plan provider and the human resources department at your company to see if returning to work will impact your benefits, especially if you're returning to the same employer. The 401(k) rules get more restrictive for business owners with ownership interest exceeding 5 percent. Working past age 70 ½ doesn't affect the required minimum distribution (RMD) rules for traditional IRAs—RMDs are still required and will generally be taxed as ordinary income. There are no RMD requirements for Roth IRAs.

There are many variables involved in returning to work and evaluating the short- and long-term tax impacts, Social Security benefits and health care. A CPA can help you analyze your current situation and determine the best course of action with regard to your personal financial plan. If you don't have one, you can get a free referral and free 30-minute consultation in Oklahoma by going to FindYourCPA.com.

Save Early and Save Often

Age	20	35
Amount/Mo.	$55	$55
Rate of Return	5%	5%
Total Saved at 65 Years Old	$111,454	$45,774

THE DOS AND DON'TS OF PROTECTING A LEGACY

You've built a good life for yourself and your loved ones and you're expecting to leave them financially secure when you're gone. That's an important goal, but some people don't reach it because of simple oversights in their planning for the future. Here's some advice that will help you keep your legacy intact.

1. **Do write a will.** Only 42 percent of Americans have a will, according to a Caring.com survey. Wills aren't just for the very rich and they can protect your heirs from a great deal of unnecessary complexity and confusion. If you die without a will, your property will be handled based on state law, which means it may not necessarily go to the people you would like or that it may take your chosen heirs longer and cost them more to get their inheritance. You can also use a will to name a trusted executor to carry out your wishes.

2. **Don't overlook kids' needs.** You want to leave funds to cover your family's needs when you're gone, but who will handle them if you die when your children are still young? According to that same survey, only 36 percent of parents with children under 18 have wills. If you have children, a will is critical. You can use a will to establish who should act as legal guardian for your children if you and a spouse both die. If you don't select someone, that decision may be left to a judge. You may also want to decide on a trustee or custodian to manage a child's inheritance. This person can oversee what you leave for your children and allocate money for them until they're mature enough to manage it themselves. Consult your CPA for more details on how this can be accomplished.

3. **Do get paperwork in order.** What other documents do you need in addition to a will? An advance health care directive or living will, in which you establish how you want certain medical decisions handled in case you are incapacitated, and a health care proxy, someone who will make healthcare decisions on your behalf if you're incapacitated. A power of attorney is a broader document that names someone to make decisions for you in a range of areas, not just health care. Store these papers in a secure, fireproof place. Don't forget to tell your loved ones where to find these critical documents. Give them keys to safe deposit boxes or home safes, as well as links and passwords for account information accessible online.

4. **Don't neglect the present.** If you're comfortable financially, you may be able to make a powerful difference for your loved ones or your favorite causes by sharing some of your legacy today. Consider making investments in your family's future by, for example, contributing toward the cost of a college education or toward a down payment on a home that will increase in value over the years. One incentive: For 2018 and 2019, you can give up to $15,000 each year to any individual tax free and, generally, gifts for tuition or medical expenses are not taxable gifts.

USEFUL CALCULATORS

Sometimes, it can be difficult to estimate finances. For example, trying to determine how much of a down payment you should save for a home, how much you should save each month for a child's tuition, how much you should be saving each pay period to retire at your desired time, etc. Fortunately, there's help.

Visit 360financialliteracy.org/Calculators for more than 100 financial calculators under a variety of popular categories. *(See Graphic A)*

Use any of these calculators to get a clearer picture of your financial needs and to determine if you're on the right track.

From the AICPA, 360 Degrees of Financial Literacy is a free program of the nation's certified public accountants to help Americans understand their personal finances through every stage of life.

Graphic A

By Topic

- 401 (k) Plans
- Bankruptcy
- Benefits and Retirement Plans
- Business Planning Basics
- Caring for Aging Parents
- Credit Cards
- Credits & Deductions
- Disability Insurance
- Education Planning Basics
- Filing Your Taxes
- Getting Started
- Home Basics
- Investing Basics
- Life Insurance
- Loans
- Mortgages
- Planning For Your Future
- Preparing for College
- Saving for College
- Social Security
- The Basics
- Transitions & Life Changing Events
- Valuing a Business
- Year-round Planning

LEAVING AN IRA AS AN INHERITANCE

You're hoping to leave a nice legacy to your loved ones, something that can enhance their financial security or help them achieve special goals. Have you considered how your individual retirement account (IRA) fits into your estate plans? The Oklahoma Society of CPAs explains what you need to know.

PICK THE RIGHT BENEFICIARY.

People fund IRAs so they'll have money for their retirement, but some may be secure enough financially that they will not need everything in their accounts. With that possibility in mind, IRA owners are asked to name beneficiaries who will inherit their accounts when they die, and it's important to do so. If you don't have a beneficiary, it will complicate the timing and tax concerns for those who inherit your estate. Be aware, also, that if you designate a beneficiary in your account documents but name someone else to receive the IRA proceeds in your will, your money will go to the named beneficiary on your account. That's why it's very important to ensure that your beneficiary designation is up to date and in sync with your will or other estate documents. Remember to consider updating your beneficiary when you marry, divorce or have another change in family situation.

UNDERSTAND THE RULES FOR SPOUSES…

Married couples typically choose their spouses as IRA beneficiaries, and surviving spouses have some complicated choices to consider when they inherit. A surviving spouse, for example, may decide to roll the IRA over into a new or existing IRA in his or her own name, which may or may not be a good idea depending on the spouse's age and whether he or she will need the money in the IRA. Converting an inherited traditional IRA into a Roth IRA is another possibility, but you will have to pay taxes on the conversion. Spouses can also transfer the account assets into an Inherited IRA. Your CPA can explain the options and help you decide which one is best for you.

… AND FOR CHILDREN AND GRANDCHILDREN.

If you name a child or grandchild as an IRA beneficiary, he or she will have to begin taking annual required minimum distributions (RMDs) immediately, and those RMDs will be taxable. However, the amount of the RMDs will be based on expected lifetimes, so the annual taxable distributions will be relatively small and the money in the account will have many years to grow tax free. This is preferable to naming your estate as the IRA beneficiary, because it helps avoid probate and stricter distribution time limits. Another option is If your children or grandchildren have been named as contingent beneficiaries on your IRA, your surviving spouse can disclaim the IRA, which also allows younger generations to inherit instead and enjoy the account's tax-free growth over their lifetimes.

CONSIDER A CHARITABLE GIFT.

If you'd like to use your inheritance to make a difference to your favorite cause, there are two reasons to leave your IRA to a charity. First, the organization will get your legacy tax free, allowing it to do a great deal of good with your gift. Second, your estate will be able to deduct the donation, which lowers the amount of any estate taxes your heirs may owe. Remember, too, that if you are over 70½ and taking required minimum distributions from an IRA, you can donate those funds to a qualified charity through a qualified charitable distribution. if you are certain you will not need your entire IRA during your retirement, this is one way to lower the taxes you owe on your RMD and watch your money being put to good use during your lifetime.

SAMPLE BUDGET

Category	Monthly Budget Amount	Monthly Actual Amount	Difference
INCOME			
Salary/Wages (after taxes and other deductions)			
Other income			
INCOME SUBTOTAL			
FIXED EXPENSES			
Housing (Mortgage or Rent)			
Water/Garbage			
Phone			
Car Payment			
Insurance			
Debt payment(s) (Student loan, credit card payments, other loan payments)			
Savings			
Other fixed expenses			
FLEXIBLE EXPENSES			
Groceries			
Transportation (gas, repairs, tolls, bus, etc.)			
Utilities (heat, electricity)			
Personal expenses (laundry, toiletries, haircuts, etc.)			
Cable/streaming services			
Other flexible expenses			
DISCRETIONARY EXPENSES			
Dining out			
Clothes			
Gifts			
Entertainment/recreation/vacation			
Books/magazines/newspaper subscriptions			
Charitable donations			
Other discretionary expenses			
EXPENSES SUBTOTAL			
NET INCOME (Income less expenses)			

Happy budgeting!

OSCPA
Oklahoma Society of CPAs

You have more to do in your day than worry about finances. TFCU has tools to help you manage your money in all stages of life. That way, you can focus on whatever matters most to you.

We get it.℠

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