COUTO DEFRANCO, P.A.

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Online Advisor

- NOVEMBER 2014 -

WHAT'S NEW IN TAXES

Consider some year-end moves to cut your 2014 taxes

The holiday season will soon be upon us. Before you settle in to enjoy family, friends, and good food, take a look at steps you can still take to minimize your 2014 tax liability. Here are some possibilities.

* Make your January mortgage payment before December 31 to squeeze an extra interest deduction into 2014.

* Make tax-free gifts to use

Dear Anthony,

Year-end is quickly approaching. Please click on the link below to view our annual On-line Tax Planning Guide for strategies to reduce your 2014 taxes or, call us if you would like to schedule a tax planning session.

We are looking for more good clients, and since we are expanding, we would appreciate your referrals!

Forward this email to friends and family; it entitles them to a complimentary consultation.

The partners and staff of Couto DeFranco, P.A.

IF YOU LIKE US...."Like us" on Facebook! We will be posting up-to-date information and deadlines.

your annual gift tax exclusion for 2014. This year you can give up to $14,000 to as many individuals as you like without tax consequences. These gifts to individuals are not deductible by you; nor are they taxable to the recipients.

* Review your investment portfolio to determine whether you'll want to sell some investments before year-end to offset gains or losses taken earlier in 2014.

* If a wedding or divorce is in your year-end plans, be aware that your marital status as of December 31 determines your tax status for the whole year. Changing the dates of a year-end event may save taxes. Even though the tax law currently provides some relief from the marriage penalty, it does not completely eliminate it.

* Review the deductions you plan to take for 2014. If you're close to the cutoff point between itemizing or taking the standard deduction, consider the advantage of bunching your deductible expenses every other year. You can then alternate between itemizing one year and taking the standard deduction the

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Caregivers could qualify for tax breaks

When you're focused on the rewards and stresses of taking care of a parent or family member who can no longer manage on their own, it's likely you're not thinking of tax benefits. Yet you might qualify for breaks that can reduce your year-end bill.

Here are three benefits to keep in mind as you gather information for your 2014 federal income tax return.

* Dependency exemption. Did you provide over half the support for a loved one during 2014? If so, and that person's income is less than $3,950, you may be able to claim a dependency exemption. Remember that tax-exempt social security is not included when figuring your loved one's income.

Tip: This break is also available even if the dependent parent lived in a nursing home during the year.

For 2014, the amount you can claim for each dependent is $3,950. More than one family member can qualify as a dependent as long as the income and support tests are met.

* Medical expense deduction. When you itemize, you can claim expenses you paid for a dependent relative. If you provide over 50% of the support for your relative, the expenses may be deductible even when that person is not a dependent.

What happens if you can't meet the 50% threshold? When medical expenses are paid by multiple family members, you can choose who gets the deduction by completing a multiple support agreement (Form 2120).

next, saving tax dollars by doing so.

* If you are helping to support an elderly parent, your college-age child, or others, check the requirements that you must meet to take a dependency exemption for this year. You may need to make some year-end adjustments to qualify for taking the exemption.

To discuss these or other tax-cutting moves you might want to consider, give us a call now before it's too late to act.

NEW BUSINESS: Pre-tax insurance payments no longer allowed

* Dependent care credit. You may be eligible for the dependent care credit when you pay for home care or daycare for a physically or mentally disabled person who lives with you. You must have earned income to claim the credit, which can be as much as $1,050 in 2014.

Please give us a call if you would like details about tax benefits available to caregivers.

WHAT'S NEW IN FINANCES: Don't forget your required 2014 minimum distribution

If you're over 70½ years old, you generally have to take a minimum distribution from your IRA by December 31 or face a substantial penalty.

How much do you have to take out of your retirement account? That depends on the balance in your account (or accounts) on December 31, 2013, and your age on your birthday in 2014. Your spouse's age can also affect how much you're required to withdraw in situations when your spouse is the sole beneficiary of the account and is more than ten years younger than you.

You can always withdraw more than the required amount. Just remember that each year's RMD stands on its own, and any excess you take this year has no effect on your 2015 RMD.

If you just turned 70½ this year, you can either take your first required minimum distribution by December 31, or you can wait as long as April 1, 2015, to take the first distribution. Keep in mind that if you wait, you'll have to take two distributions in 2015.

A reminder to employers: Effective January 1, 2014, you may no longer reimburse employees for their individual health insurance policies or pay the premiums directly to the insurance company on a pre-tax basis.

Employers that continue to pay employee's premiums or reimburse their payment must include these amounts in the employee's taxable wages or be subject to substantial penalties. Only if the employer offers a group plan can pre-tax dollars be used for health insurance premiums.

If you need assistance, please contact our office. We are here to help you.

Unless you're still working, these RMD rules also apply to other retirement plans, such as 401(k)s. Note, however, that no distribution requirements apply to Roth IRAs.

Call now to make sure you're in compliance with the RMD rules.

Got debt?
To build a healthier financial future, utilize only good debt.

You've got debt! The question is, do you have good debt or bad debt? Even more important, how do you tell the difference before you take on any more? Here are two questions to ask before incurring any debt.

1. What are the benefits of taking on this debt? Avoiding all debt seems like good advice. But good debt can enhance your financial situation. For instance, loans that fund a college or graduate degree may result in a higher salary. That's debt with a lasting, tangible benefit.

Likewise, a mortgage for a home or rental property can increase your wealth by providing the opportunity for growth of capital and income.

Good debt can also have secondary advantages, such as the potential for tax deductibility of interest on student loans and home mortgages.

Bad debt, on the other hand, generally strains your cash flow without providing an offsetting advantage.

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Financial Planning

Nelson Couto CPA, CFP™
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2. Does the cost exceed the benefit? As a general rule, good debt provides a return that's greater than the total amount you'll end up paying. Caution: Remember that your total outlay will be the stated price plus finance charges.

For example, suppose you need to buy a car. A moderately priced vehicle financed with a short-term loan can still have value when the payments end. That falls within the definition of good debt. But with today's longer terms of five to eight years, your loan might outlast the car. High interest rates and the longer payback period on "stretch" loans can bump your total outlay into bad debt territory.

Credit card debt poses the same peril. Charges you intend to pay back in full at the end of the month may not be a problem. But a restaurant meal, a vacation, or a Christmas splurge can get very expensive once you include the interest charged when you carry a balance on your credit card.

Good debt or bad? Recognizing the difference can lead to better money management - something you need if you want to improve your financial situation.

The information contained in this newsletter is of a general nature and should not be acted upon in your specific situation without further details and/or professional assistance. For more information on anything in the Online Advisor, or for assistance with any of your tax or business concerns, contact our office.

We hope you found this information helpful. Call today to schedule your appointment to start getting into financial shape!

973.325.3370

Sincerely,

The Partners and Staff

Nelson J. Couto, Partner

View my profile on LinkedIn

Anthony DeFranco, Partner

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EXCITING COUTO DEFRANCO NEWS:

We've been recognized as "Top Wealth Managers in NJ"

(FOR 2nd YEAR IN A ROW!!)

Nelson Couto and **Anthony DeFranco** honored with a recognition by **NJ Monthly Magazine** in its selection of **"Top Wealth Managers In NJ 2015"**

Nelson Couto, CPA, CFP®, and Anthony DeFranco, CPA, CFP®, MS (Taxation) of Couto DeFranco, P.A. have been named as, 2015 Five Star Wealth Managers and featured in New Jersey Monthly magazine January 2014. Out of the 3315 wealth managers in New Jersey who were seriously considered for the award, 646 were named. Couto and DeFranco represent less than

1 percent of the eligible Wealth Managers in the New Jersey.

"We are delighted to be acknowledged as a Five Star Wealth Manager by New Jersey Monthly, and proud that the work we have done for our clients has been recognized," says Anthony DeFranco.

Couto and DeFranco are recognized as leaders in the field of wealth management, where they combine their CFP® knowledge with over 25 years as being CPAs to help their clients with their wealth management and tax planning needs, along with helping them with their financial goals and aspirations.

They believe the best way to help clients reach their financial goals is simple: to listen. "It is important to listen to where they are today and where they want to be tomorrow," says Nelson Couto. The partners feel that clients are paying them for their knowledge-both as NJ Certified Public Accountants and Certified Financial Planners®-so it is their responsibility to develop a financial plan that is sound, objective and honest. This model has been their secret to success.

Starting a business? Tax Questions? Need Financial Planning?

Print out this certificate for a complimentary one-hour consultation.

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