COUTO DEFRANCO, P.A.
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Online Advisor

- APRIL 2018 -

MAJOR UPCOMING TAX DEADLINES

APRIL 17-

- Individual income tax returns for 2017 are due.
- 2017 calendar-year C corporation income tax returns are due.
- 2017 annual gift tax returns are due.
- Deadline for making 2017 IRA contributions.
- First installment of 2018 individual estimated tax is due.

WHEN AN EXTENSION MAKES SENSE

While most people should file a tax return by April 17, you have the option of

delaying your filing date until Oct. 15 with a tax extension.
When to file an extension

Missing or incorrect information. If one of the forms you need to file your return has an error on it, it is often better to receive a corrected form

Greetings!

We're coming into the home stretch; getting all of your returns completed and e-filed. Looking forward to April 17th! As always, if you have questions or are interested in meeting with us, please don't hesitate to contact our office.

Thank you.

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.

KNOW THE IRS'S "DIRTY DOZEN" TAX SCAMS

Every year the IRS releases its "Dirty Dozen" list of the year's most prevalent tax scams. They include ploys to steal personal information, talk people out of money, or engage in questionable tax activity. Here are some of the top scams:

- **Phishing -** Fake emails or websites claiming to represent the IRS, for the purpose of stealing personal information. The IRS will never try to contact you via email about a bill or refund
- **Phone scams -** Scammers impersonating IRS agents over the phone. These impersonators may threaten you with arrest if you don't make immediate payment for fake tax bills. Don't fall for it - the real IRS makes contact via a letter, and never threatens or demands immediate payment.
- **Identity theft -** Using a stolen Social Security number to file a fraudulent return and claim a refund. The IRS said it is making great progress on reducing this scam as identity theft reports are down 40 percent from a year ago.
- **Fake charities -** Some fraudsters use the mask of charitable activity to get you to donate funds to fake organizations. Only donate to legitimate charities, which are listed in the IRS database.
- **Inflated refund claims -** Many taxpayers are wooed by tax-refund services offering payouts that seem too good to be true. Cheap tax-preparation services that promise unrealistic refunds are illegal and often get taxpayers in trouble.
- **Padded deductions -**
  The IRS is focusing on identifying tax returns that try to reduce tax by overstating deductions such as charitable deductions or business expenses.
- **Falsifying income to claim credits -** Improper use of the Earned Income Tax Credit (EITC), meant for eligible low-income taxpayers. The IRS has been cracking down on

(EITC), meant for eligible low-income taxpayers. The IRS has been cracking down on EITC fraud in recent years.

- **Abusive tax shelters -** Some fraudsters peddle complex tax avoidance schemes known as tax shelters that they portray as legal tax strategies. Make sure you get an independent opinion on any complex tax schemes.
- **Frivolous tax arguments -** Frivolous arguments to avoid paying taxes (for example, arguing a personal vacation is a business expense) can be penalized by up to $5,000 per tax return.
- **Offshore tax avoidance -** Using offshore bank accounts and complex international tax structures to avoid paying taxes is still a common scam on the radar of IRS auditors.

GREAT USES FOR YOUR TAX REFUND

Most Americans get a refund every year, with the average check weighing in at $2,895 last year. Even though it's really money that they earned, many people are tempted to treat it like a windfall and splurge. If you can resist that temptation, here are some of the best ways to put your refund to good use:

- **Pay off debt.** If you have debt, part of your refund could be used to reduce or eliminate it. Paying off high-interest credit card or auto loan debt means freeing up the money you had been paying in interest for other uses. And making extra payments on your mortgage can put more money in your pocket over the long haul.

- **Save for retirement.** Saving for retirement allows the power of compound interest to work for you. Consider depositing some of your refund check into a traditional or Roth IRA. You can contribute a total of $5,500 every year, plus an extra $1,000 if you are at least 50 years old.

- **Save for a home.** Home ownership can be a source of wealth and stability for many people. If you dream of owning a home, consider adding your refund to a down payment fund.

- **Invest in yourself.** Sometimes the best investment isn't financial, it's personal. A course of study or conference that improves your skills or knowledge could be the best use of your money.

- **Give to charity.** Giving your refund to a charity helps others *and* gives you a deduction for your next tax return.

- **Don't give to scammers!** Scammers are using a new tactic to separate people from their tax refunds. First, they file fraudulent refunds on behalf of their victims. Then, after a refund check arrives at the taxpayer's address, they impersonate an IRS agent over the phone and demand to be sent the refund because it was sent in error. Remember, real IRS agents will never call over the phone and demand immediate payment for any reason.

If you use some of your refund for one of the ideas here, you can also feel good about setting a little aside for yourself to have some fun!

WIN THE BATTLE AGAINST RETIREMENT HEALTH CARE COSTS

receive a corrected form before filing.

Recharacterizing Roth IRA rollover amounts. If you've rolled funds from a traditional IRA into a Roth IRA, you may want to reverse it later if the investments lose value. This so-called recharacterization process can be done up to the extended tax-filing date of Oct. 15, and in many cases it makes sense to wait until then. Note that 2017 is the last tax year you can use the recharacterization process, which was eliminated for future years by the Tax Cuts and Jobs Act.

For self-employed retirement contributions. The self-employed can use an extension to buy time to fund an SEP IRA. This extended time frame does not apply to traditional IRAs and Roth IRAs.

Avoid late filing penalty. If you fail to file a tax return, two tax penalties come into play: a late filing penalty and a late payment penalty. By filing an extension, you can push out the potential late-filing penalty for another six months even if you cannot yet pay the tax.

BONUS TIPS!

How long should you keep your records?
For tax filings, the IRS requires you to keep your records on hand for at least three years after you file. Some states require you to keep records longer than that,

and the federal government can ask you to keep records for six years if you understate your income.

Keep track by going digital.
If keeping track of your tax records year after year sounds like a chore, at least things are easier in the digital age. You can scan your paper records and keep them digitally, but remember to keep your records backed up and secure from identity theft.

Make a checklist.
If you're still waiting for some tax forms to arrive, go back to last year's return and make a checklist of all the forms you received. Add items for any new accounts or vendors you added since then, and check off the forms as they arrive.

QUICK LINKS

Services

Resources

Financial Planning

Nelson Couto CPA, CFP™
Anthony DeFranco CPA, CFP™

WIN THE BATTLE AGAINST RETIREMENT HEALTH CARE COSTS

When you think about how much money you'll need in retirement, you may consider your living costs, travel expenses and hobbies you'd like to enjoy. But you may be overlooking one of the largest costs for most retirees: health care. A recently retired couple will need an average of $275,000 to cover medical costs even after Medicare coverage, according to research by broker Fidelity Investments. Medical prices have nearly doubled in the past twenty years, according to statistics kept by the U.S. Department of Labor.

Here are some tips to meet the challenge of rising health care costs without compromising your other retirement goals:

- **Save more now.** The best way to manage rising health care costs is to save more money *before* you retire. Consider maximizing your annual contributions to your tax-advantaged employer 401(k) plan and your IRAs.
- **Use health savings accounts.** If you're eligible, save money in health savings accounts (HSAs). HSAs allow you to contribute pre-tax money to an account that can be invested like a 401(k) or IRA. HSA funds are not taxed as long as the funds are used to pay for qualified medical, dental or vision expenses. If you are eligible, you can contribute up to $6,900 a year in a family plan, or $7,900 if you are age 55 or older.
- **Reduce costs by being network-smart.** Out-of-pocket health care costs rise considerably if you use doctors or facilities out of your insurer network. Even if your primary doctor and clinic is in your insurer's network, a specialist or testing center may fall outside of it. Be sure to check your insurer's network rules before each visit to a new doctor or location.
- **Use alternative providers.** Consider avoiding hospital visits and emergency rooms when practical. If you have the option to go to a clinic or urgent care center, out-of-pocket costs are often a fraction of out-of-pocket costs at a hospital.
- **Reduce Medicare premiums.** A large portion of the cost of retiree health care comes from Medicare premiums, which rise according to several tiers of income brackets. To pay the lowest rate, keep your adjusted gross income below $85,000 if you are single, or $170,000 if you are married filing jointly. There are various tax-planning strategies you can use to stay below the threshold, including managing required minimum distributions from retirement accounts and Social Security payments with your other sources of income.

Planning that takes into account rising health care costs can save you the added financial burden upon retirement, leaving more funds for the things you look forward to doing during your golden years.

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
Couto DeFranco, P.A.

EXCITING COUTO DEFRANCO NEWS:

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

CERTIFIED FINANCIAL PLANNERS™

Nelson J. Couto, CPA, CFP™

Anthony DeFranco, CPA, CFP™

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Nelson J. Couto, Partner

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5th 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 2018"**

Nelson Couto, CPA, CFP®and Anthony DeFranco, CPA, CFP®, MS (Taxation) of Couto DeFranco, P.A. have been named as 2018 Five Star Wealth Managers and featured in New Jersey Monthly magazine January 2018. Out of the 5063 wealth managers in New Jersey who were seriously considered for the award, 672 were named. This is their fifth time winning this prestigious award.

"We are delighted to be acknowledged as a Five Star Wealth Manager by New Jersey Monthly," says Nelson Couto. "We are 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. They combine their knowledge of financial planning with over 30 years as CPAs, helping their clients with their wealth management and tax planning needs, along with assisting 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 as Certified Financial Planner™ professionals-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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