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NOVEMBER 2019



2020 is coming quick — are you prepared? Take stock now and learn about the year-end moves that'll help you save. Plus, consider how the 2020 Social Security changes will affect your plans. And make sure you're hitting the employment tax deadlines.

Call if you would like to discuss how this information relates to you. If you know someone who can benefit from this newsletter, feel free to send it to them.

Tips to Improve Your Credit Score

This month:

November 11

- Veterans Day

November 28

- Thanksgiving

CREDIT REPORT



Your credit score is more important than ever. Once viewed as a necessity when applying for a mortgage, it now factors into renting an apartment, paying for utilities, buying a cell phone, and determining the amount you pay for home and auto insurance! Here are tips to help you improve and maintain a good credit score:

- 1. Know which bills must be paid on time.** One bill that goes more than 30 days past its due date can drop your credit score 40 points and can stay on your credit report for seven years! If you are in a cash pinch and can't pay all your bills on time, prioritize mortgage, car loan and credit card bills that report late payments to credit agencies. Utilities and medical organizations generally don't report a delinquency until your account is sent to a collection agency.
- 2. Watch revolving credit balances.** Each credit card has a credit ceiling. This credit limit is compared to how much of it you use. The higher amount of the credit limit you use, the lower your credit score. Even if you pay the bill in full each month! Ideally, try to keep the spending balance less than 20 percent of your credit limit. If your routine spending is higher than this, consider requesting a higher line of credit, but do not use it. The sole

November 29

- Black Friday (shopping deals day)

Reminder

- Conduct year-end tax and financial planning

Save Money With These Year-End Ideas



There's still time to reduce your potential tax obligation and save money this year (and next). Here are some ideas to consider:

- **Estimate your 2019 and 2020 taxable income.** With these estimates you can determine which year receives the greatest benefit from a reduction in income. By understanding what the tax rate will be for your next dollar earned, you can understand the tax benefit of reducing income this year AND next year.
- **Fund tax-deferred retirement accounts.** An easy way to reduce your

purpose of this request is to create a higher credit score.

- 3.** Pay off debt. Current debt balances account for as much as 30 percent of your credit score. When you consider this and the high interest rates that come with debt, it's important to get those balances to zero as soon as possible. Your debt-to-income ratio (total debt divided by your total income) doesn't directly affect your credit score, but it's a key metric used by underwriters when determining loan eligibility and interest rates.
- 4.** Add new debt only when necessary. Adding new debt can reduce your credit score in a few different ways: your debt profile increases, your debt-to-income ratio rises, and even the credit inquiry itself can take a chunk out of your score. If you have a relatively short credit history, too many credit inquiries will affect you even more.
- 5.** Consider keeping dormant credit cards open. Have an open credit card that you've paid off or have never used? Your instinct might tell you to close the account, but keeping it open may actually help your credit score. An active credit card in good standing for a long period of time helps your credit score. Plus, the additional unused credit limit on your books lowers the ratio of spending to total credit limit and improves your score.
- 6.** Actively monitor your credit reports. You can get a free credit report from each reporting agency every 12 months on the Annual Credit Report website. These reports tell you everything you need to know about items impacting your credit score. Reviewing these items on a routine basis is an important exercise to ensure a correct report. If you find a mistake, you can work to get it removed and improve your score.

Your credit score is too important to ignore. Taking an active role by implementing some of these smart tactics is a great way to improve your score and overall credit health.

taxable income is to fully fund retirement accounts that have tax-deferred status. The most common accounts are 401(k)s, 403(b)s and various IRAs (traditional, SEP and SIMPLE).

- **Take your required minimum distributions (RMDs).** If you are 70½ or older, you need to take required RMDs from your retirement accounts by Dec. 31. Don't forget to make all RMDs because the fines are hefty if you don't — 50 percent of the amount you should have withdrawn.
*Keep in mind, even if you don't have RMDs yet, removing a planned amount from your retirement accounts each year may be more tax efficient than waiting until you are required to do so.
- **Manage your gains and losses.** Re-balance your investment portfolio, and take any final investment gains and losses. When you have more losses than gains, up to \$3,000 can be used to reduce your ordinary income. With careful planning, you can take



6 Ways to Cut Your Everyday Expenses

Many people dream of making more money, but cutting expenses can have the same effect. Identify unnecessary expenses with these six money-saving ideas and help free up some cash:

1. **Eliminate late fees.** Most late fees are the result of being too busy, traveling or simply forgetting. Fortunately, late fees are almost entirely avoidable if you have a plan. A lot of people only think of credit card late fees, but they can also show up in many places including utility bills, subscriptions and registration fees. Take a look at your bills and identify the kinds of charges you're getting. Scheduling automatic payments should help you avoid late fees going forward. And if you get one, call and try to get it canceled. It just might work!
2. **Cancel unnecessary subscriptions.** Subscriptions are popping up everywhere. They include everything from weekly shaving products to video and music streaming services. With so many options, it's easy to double up on services or forget to cancel one that you were planning to use for just a short time. Review all your monthly subscriptions and cancel the ones that are no longer providing value.
3. **Minimize interest expense.** Paying for day-to-day expenses with a credit card to rack up points to use for airfare or other perks is a great cash management tool, but the interest that builds up if you don't pay it off every month negates the perks and creates an extra expense. If you find yourself in a situation with multiple credit card balances, consider a consolidation loan with a lower interest rate.
4. **Be selective with protection plans.** With virtually every purchase, the store or website offers to sell you insurance in the form of a protection plan. And for good reason — they're profitable to them and not you! Insurance should be reserved

advantage of this loss amount each year.

- **Finalize your gift-giving strategy.** Each year you may gift up to \$15,000 without tax reporting consequences to as many individuals as you choose. Consider any gift-giving you wish to make up to the annual limit. This could include gifts of cash or property, and investments.
- **Donate to charities.** Consider making end-of-year donations to eligible charities. Donations of property in good or better condition and your charitable mileage are also deductible. Receiving proper documentation that acknowledges your contributions is important to ensure you obtain the full deduction. Have a plan by knowing your total deductions for the year to help you decide how much and when to donate. Pulling some donations planned for 2020 into 2019 may be a good strategy.
- **Review your automated billing transactions.** This is a good time to identify what automatic monthly expenses

for things you can't live without like your health and your home. Pass on the protection plan for your toaster.

5. **Review your deductibles.** A deductible is a set amount you pay before your insurance kicks in to cover the cost of a claim. The higher the deductible, the lower your monthly premium. If you have enough in savings to cover a higher deductible when disaster strikes, raising the deductible may save you some money on a month-to-month basis.
6. **Try a little DIY.** If you own a house, you know it's just a matter of time before something breaks or stops working. When it happens, don't instantly reach for the phone to call a repairman. Repair videos are in endless supply online. Often, an easy fix will do the job. Simple fixes can lead to big savings, especially since repair services charge minimums and fuel surcharges.

While some ideas take a little more analysis to understand the true benefits, many are just the result of paying attention. Taking a proactive approach can provide a big boost to your budget.

should be reviewed for reduction or elimination. You may also discover billing for services you thought were canceled. This specific review often catches errors that a simple account reconciliation may be missing.

- **Organize records now.** Start collecting and organizing your tax records to avoid the scramble come tax season.
- **Develop your own list.** Use these ideas as a jumping off point to create your own list of annual review items. It might also include reviewing college savings accounts, beneficiaries, insurance needs, wills, and going through an aging parent's financial accounts.

2020 Social Security Benefits



Take a look at how Social Security benefits have changed. Use this infographic to help you plan for the coming year, and to learn a little more about retirement benefits and taxes.

Your 2020 Social Security Benefits

Find out how your benefits have changed

Estimated average Social Security retirement benefits starting January 2020

- All retired workers in 2019 \$1,479/mo
- All retired workers in 2020 \$1,503/mo

Did you know? You can increase your Social Security retirement benefits by 5-8% when you delay applying until you're age 70.

1.6% cost of living adjustment for Social Security retirement benefits and SSI payments begins with the December 2019 benefits (payable in January 2020)

The 2020 maximum Social Security retirement benefits a worker retiring at full retirement age is \$3,011/mo.

Did you know...

87% of Baby Boomers are expecting Social Security to be a source of their retirement income.

1 in 3 people expect it to be their primary source of income.

Social Security pays benefits to more than 67 million people including retirees, children and surviving spouses.

2020 Social Security and Medicare tax rates

If you work for someone else...

- your employer pays 7.65%
- you pay 7.65%

If you're self-employed...

- you pay 15.3%

Note: The above tax rates are a combination of 6.2% Social Security and 1.45% for Medicare. There is also 0.9% Medicare wages surtax for those with wages above \$200,000 single (\$250,000 joint filers) that is not reflected in these figures.

Maximum amount you can pay in Social Security taxes

2019: \$8,239.80

2020: \$8,537.40

165+ million people work and pay Social Security taxes.

Social Security has provided financial protection for Americans since 1935.

Maximum earnings amount Social Security will tax at 6.2%

2019: \$132,900

2020: \$137,700

How does Social Security work?

- When you work, you pay taxes into Social Security.
- The Social Security Administration used your tax money to pay benefits to people right now.
- Any unused money goes to the Social Security trust funds.
- Later on when you retire, you receive benefits.

Social Security payments explained

SS Social Security retirement benefits are for people who have "paid into" the Social Security system through taxable income.

SSD or SSDI Social Security Disability (SSD or SSDI) benefits are for people who have disabilities but have "paid into" the Social Security system through taxable income.

SSI Supplemental Security Income (SSI) benefits are for adults and children who have disabilities, plus limited income and resources.

Maximum SSI payments	2019	2020
Individual	\$771/mo	\$783/mo
Couple	\$1,157/mo	\$1,175/mo

Here's how to qualify for your retirement benefits

When you work and pay Social Security taxes, you earn "credits" toward Social Security benefits. The number of credits you need to get retirement benefits depends on when you were born.

If you were born in 1929 or later, you need 40 credits (10 years of work) to receive Social Security retirement benefits.

The earnings needed for a credit in 2020 is \$1,410.

4 credits maximum per year.

Did you know you can check your benefits status before you retire?

You can check online by creating a my Social Security account on the SSA website. If you don't have an account, you'll be mailed a paper Social Security statement 3 months before your 61st birthday.

It shows your year-by-year earnings, and estimates of retirement, survivors and disability benefits you and your family may be able to receive now and in the future.

If it doesn't show earnings from a state or local government employer, contact them. The work may not have been covered either by a Section 218 agreement or by federal law.

EXCITING COUTO DEFRANCO NEWS:



**Six consecutive years! Nelson Couto and Anthony DeFranco
have been chosen as FIVE STAR Wealth Managers
for the sixth consecutive year!**

Nelson Couto, CPA, CFP®, and Anthony DeFranco, CPA, CFP®, MS (Taxation) of Couto DeFranco, P.A. have been named as 2019 Five Star Wealth Managers and will be featured in the Wall Street Journal, February 27th issue. Out of the 6,097 wealth managers in New Jersey who were seriously considered for the award, 477 were named. This is their sixth time winning this prestigious award. Nelson and Anthony were previous recipients of the award beginning in 2013.

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

Couto and DeFranco are regarded as leaders in the field of wealth management. They combine their knowledge of financial services with over 25 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 strategy that is sound, objective and honest. This model has been their secret to success.

Nelson Couto and Anthony DeFranco, established the NJ CPA firm of Couto DeFranco, P.A. in 1992 and are located in West Orange, N.J. The firm serves individuals, businesses, estates and trusts. For more information

on their full suite of accounting, wealth management, tax preparation and planning services, please call 973-325-3370 or visit the company's website at <http://www.accountants-nj.com>

