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Tax Tips Newsletter

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Greetings!

Simon decided to take over the office while I was out. I hope he's not working on any tax returns!



This month I am sending out an additional letter in addition to my newsletter. That letter deals with paying sales and use tax on items purchased online or out of state. In the past few years the California State Board of Equalization has made it a priority to let California residents know that sales tax on those types of sales need to be reported and the tax paid. Please refer to the other letter for more details.

As long as your records are out...



As part of your assembling information for your 2006 tax return, take a little extra time to review your net worth, the progress you're making toward your financial goals, and your need for estate planning. Tax filing time provides an excellent opportunity to do these essential reviews "as long as your records are out" anyway.

The following suggestions will get you started on your review:

FIRST: Hold a discussion with your family. Spouses and children need to share and prioritize their financial aspirations.

* Write down your financial goals. How much money will you need to meet each goal? When will you need the money, and how will you get it?

* Do a net worth statement (a list of your assets and debts), and compare it to last year's statement. Are you gaining or losing ground?

* With your goals (and the effects of inflation) in mind,

review the performance of your investments.

SECOND: Take steps to protect what you already have. Goals may become instantly unobtainable if you lose your present assets or your income potential.

* Do you have adequate disability insurance coverage to replace take-home pay if you become incapacitated?

* Do you have adequate life insurance if you or your spouse should die?

* Do you have replacement value property insurance on your home?

* Do you have adequate insurance for calamities such as automobile accidents or lawsuits?

Note: Determine that you are neither over-insured or under-insured. Do not duplicate employer-provided coverage.

Review your coverage annually; do not just automatically renew policies.

THIRD: Review your will and your estate plan. Did your situation change during 2006 (marriage, divorce, births, deaths, move to another state, for example)? This year, the top estate tax rate is 45%, and the amount exempt from estate tax is \$2 million. Make any necessary changes to your will and estate plan.

FOURTH: Review your credit use. Keep your credit card bills current. If you're finding that hard to do, it's probably time to cut up some of those credit cards and get your debt under control.

FIFTH: Organize your records. If you had trouble assembling data for your financial review, you need a better system. Set one up.

For help with any aspect of your review, call me. I'm here to assist you in any way I can.

Are you getting a tax refund this year?



Every year thousands of people get a big tax refund. If you're one of those taxpayers, consider investing your refund or using it to increase your financial security. Everyone's needs are different, but here are some suggestions.

* If you have a 401(k) plan at work, contribute your refund. If your employer offers a matching contribution, that's an immediate return on your money in addition to the upfront tax deduction. And funds in the plan grow free of tax until withdrawal.

* If you want to earn a guaranteed double-digit return, use your refund to pay down credit card balances.

* Consider investing your refund in your child's education. Both Section 529 college savings plans and education savings accounts offer tax-advantaged ways to save for college costs.

* Make sure you're taking full advantage of your IRA options for retirement savings. Both

traditional and Roth IRAs give you tax-free growth of earnings.

* If you've maximized your retirement and education savings, and your credit cards are under control, put your refund in diversified investments that make sense for your age and financial situation.

* Ask yourself if getting a big refund every year is a smart idea. Wouldn't you rather invest your money during the year instead of making an interest-free loan to the government? Consider filing an updated Form W-4 with your employer.

For details or assistance, give me a call.

What's new on my website



The Tax Tip of the Week this week has 3 reasons why filing earlier is better. That means getting your information to me by my cutoff date of March 15, 2007.

The Business Tip of the Month reviews misconceptions about having a business website. There are some great tips and answers as to why every company should have a website.

The Financial Tip of the Month has tips on how to maintain a high credit score.

The Fraud Alert for this month describes how "phishing" works and how to spot the scam. This is becoming a huge problem and the scammers are getting better and better at getting you to divulge your personal information.

Finally, since April 15th is on a Sunday, the filing due date for individual returns would normally be the following day, April 16th. However, April 16th is a holiday in Washington, D. C. so the filing date has been extended to April 17th. The states are also honoring this due date to eliminate any confusion.

Sincerely,

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