

FINANCIAL FORECASTS, INC.

tax preparation & planning

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BUBBLE, BUBBLE TOIL AND TROUBLE !

Since the 1990's, we have seen a generation of financial bubbles; first with the birth of DOT COMS, then moving to REAL ESTATE housing prices, and now moving to CORPORATE DEBT as the US Government continues to juice the economy with free money.

A bubble starts with: a DISPLACEMENT of an asset (prices/shortage); BOOM attracts a crowd with the chance to make big money; EUPHORIA (everyone in the game cheerleading), PROFIT TAKING (smart money moves out) and finally PANIC (when late comers are running for the exits). The Federal reserve wants to keep the party going ignoring the eventual result. There is always a mess to clean up at the end of a wild party. Are bubbles the only way we can grow our economy anymore? We hear a common refrain "All's Well" from one collapse to another. Each time lower interest rates were the answer, until now, there is no room except to go negative. A new decade begins with lowest interest rates, global warming, mountains of debt, a dose of disruption and more than a hint of political intrigue. The world is flipping upside down.

Be aware of the growing number of tax scams. IRS warns of them, but does nothing to protect their name and reputation. IRS will never call you, unless you are already in talks with them, after receiving an official letter in the mail. Guard your social security number and never disclose personal information over the phone or on-line. Anyone that you normally deal with already has your financial information. Always do direct contact from your side, do not use the convenience of clicking on a direct link.

The prior year's new tax law is fully digested now and tax planning has changed. We have more seniors each year (I am one!) and now IRS has come up with a new LARGE TYPE tax return (is this really needed. Tax planning has shifted focus from personal itemized deductions on Schedule A to other forms. Taxes, previously deductible, are capped at \$10,000, mortgage interest has several limitations, so do not assume a deduction. Contributions are still deductible, but you might want to shift focus through use of Donor Advisor Fund, spiking larger donations periodically. If you are age 70+ consider the Qualified Charitable Donation direct from your IRA (RMD) and lean towards using the higher standard deduction.

Best tax planning continues to start at the source, look to your employers 401K, 403B, Simple or SEP and Sole 401K (Self employed). We always recommend using the deductible contributions to the maximum (2020 max now \$19,500 reg + over 50 catch up \$6,500 = \$26,000). Self employed limitations are based on net income calculation. We do not care for ROTH contributions from employer plans. Always get your tax benefit up front, NO ROTH. You can always do better tax planning in the future and remember the dollar continues to shrink (losing value with time).

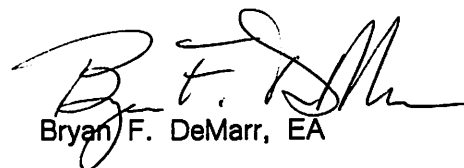
2020 FOR YOUR CONSIDERATION: (general observations not for everyone!)

- Reduce your exposure to debt and stocks, take gains from current investment accounts (not IRA or tax deferred funds). Pay down debt.
- Maximum contributions to deductible retirement. This reduces all limitation and phase out effects throughout the tax return.
- Simplify (KISS), do you really need multiple bank/brokerage accounts?
- Know/understand your investments and review at least 2 times a year. This is especially true for your retirement plans.
- Penalties for underpayment of taxes Fed/State are increasing, pay your taxes early. Forgiveness previously granted, is disappearing.

We have enclosed your 2019 Tax Organizer (fill in format) and encourage you to pay close attention to personal data, contact information and especially the "CHECKLIST". Please validate all entries and review your current investments to provide us all active account information. Detail any estimated payments. We will need forms: W2,1099's,1098,K-1,rental summary and business details if applicable. You must keep your supporting documents for 3 prior years (we recommend 5 years). Please provide direct deposit information for possible refunds. Early filing is encouraged as it limits your exposure to identity theft.

We appreciate your business and look forward to helping you achieve financial success. Any questions, call us. Get the facts on tax from the professionals. We have Saturday appointments until February 29, 2020.


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