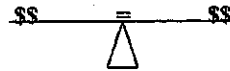
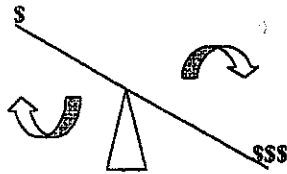


# **FINANCIAL FORECASTS, INC.**

tax preparation & planning

January 2021



**A BALANCING ACT, in the game of life!**

We all know of the difficulties of the USA during the 2020 year, happy to see it done, but there are still the hangover effects of a bad year. There is a disconnect between the real world and the paper world. Our government has one tool to solve all woes, a flood of money. Tax law changes will continue to be a variable. We must work within our personal finances to handle life as we know it. Money, health, and time are the tools of your life. Learn to use the tools effectively.

We need to keep adapting to the current circumstances. I am reminded of the elementary school yard of the past with the good old SEE-SAW (I promise a financial reason is coming). You remember this old balancing game, fun for both participants, unless one is heavier than the other. It can be scary stuck in the air, but it has a better view. The SEE-SAW has two participants in economic terms, one is a SAVER (grounded) and the other is a SPENDER (airborne) and they maintain their respective traits throughout their lifetime. Rarely does anyone move to the middle within their life span. Your circumstances change constantly with education, career, family, retirement and mostly age.

**SAVERS:** I used to think that savers had the upper hand (grounded). They have large savings and a growing safety blanket, but savers rarely learn to spend so they get little joy from their efforts. They may realize that they have over compensated the position, but too late with age and failing health to take advantage of their investment success.

**SPENDERS:** I now believe that the spenders (airborne) have the advantage. They have been using their money for living in the moment. Running out of money can be scary in retirement! They will have to make tough choices as they approach retirement. Adjust spending, continue work, or boost saving before actual retirement. Better choice will be to shrink consumption while accumulating extra retirement holdings. Learn to live on less. Never, NEVER! pull money out of retirement for present spending unless you are destitute (not for new auto, new home, balance is too small to rollover, children's education), this is your minimum future.

**REMEMBER, MONEY HAS ZERO VALUE, UNLESS YOU UNLOCK THE POTENTIAL WITH SPENDING ON BENEFICIAL SERVICES, POSSESSIONS, EXPERIENCES AND MEMORIES TO CELEBRATE YOUR LIFE'S SUCCESS. DO NOT JUST "PASS THE BUCK".**

**DEDUCTIBLE RETIREMENT:** Everyone should contribute the maximum into their deductible retirement accounts. Do not fall for the lure of ROTH retirement. Pay taxes when you are using the money in retirement. Benefit from controlling your tax in retirement at lower tax brackets and leverage your returns by using other people's money (Federal & State tax liability). It's nice to have a partner in a successful retirement.

**REFINANCING MORTGAGES:** There is real value in paying off your personal residence before retirement. People are refinancing nowadays (multiple times) chasing the lowest interest rate versus paying interest for the shortest time. They could be paying more in total interest and fees as a result!

We have some changes for 2020 and beyond:

\*We need to validate any stimulus payments you received or did not receive in 2020. (EIP or PPP)

\*Medical deductions are still limited to amounts above 7.5% of Adjusted Gross Income.

\*Itemized deductions are only limited in the tax paid section, mortgage interest, contributions and medical still deductible, but only beneficial if your total exceeds the standard deduction.

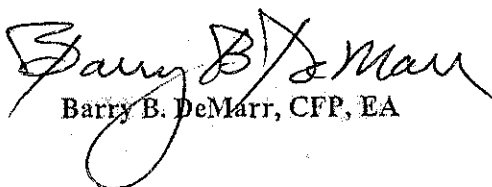
\*Secure act changes IRA-MRD starting at age 72. Inherited IRA's have a 10 year shelf life.

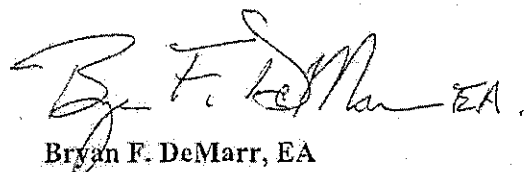
\*Valid 2020 charitable contributions, \$300 deductible for standard deduction filers.

\*IRS / States will validate driver's license info on taxes = please provide a copy of driver's licenses.

We have enclosed your 2020 Tax Organizer (fill in format for e-mailers) and encourage you to pay close attention to personal data, contact information, current dependents (do not allow your kids to file taxes without checking with us first) and the "CHECKLIST". Please validate all entries and review your current investments to provide us all active account information. Detail any estimated payments, date paid and amounts. 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 or e-mail. Get the facts on tax from the professionals. We have Saturday appointments until 2-27-2021. We will continue to have MASK AND SOCIAL DISTANCING REQUIRED FOR OFFICE VISITS. KEEP EVERYONE SAFE.

  
Barry B. DeMarr, CFP, EA

  
Bryan F. DeMarr, EA