RITTER & RANDOLPH NEWSLETTER

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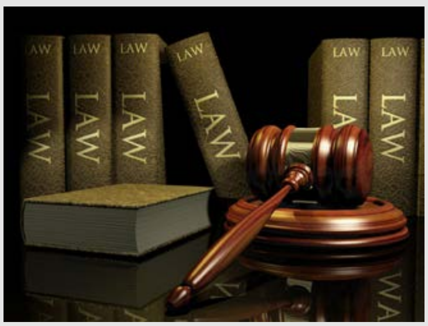

In this Issue

RITTER & RANDOLPH NEWS Editor
Donna J. Christensen

Earned Income Tax Credit

Millions of workers who earned $52,427 or less last year may qualify for the Earned Income Tax Credit (EITC) for the first time in 2015, making awareness of the credit critical. About a third of the people eligible for EITC fluctuate each year based on changes to their marital, parental and financial status.

The amount of EITC varies depending on income, family size and filing status. Those who work for someone else or those who run a business or farm and who earned $52,427 or less during 2014 could receive larger refunds if they qualify for the EITC. This could mean up to $496 in EITC for people without children, and a maximum credit of up to $6,143 for those with three or more qualifying children.

The EITC is refundable. This means those eligible may get a refund from the IRS even if they owe no tax or had no taxes withheld from their paycheck. [Source: www.irs.gov]

Retirees Could Save on Insurance

Once you are retired, your need for insurance changes. It is a good idea to look at your coverage options and figure out what you need and do not need and where you might be able to achieve some savings.

Life Insurance: You may no longer need life insurance. If your spouse or other dependents won't lose any income when you die, life insurance may be unnecessary and your premiums may be better spent elsewhere.

On the other hand, sometimes life insurance can be used as part of an estate plan to help pay estate taxes or to build up a tax free inheritance for your heirs. Contact Mary Ann Jacobs, Esq., an estate-planning attorney, at majacobs@ritter-randolph.com, as she can help you determine whether it is wise to maintain your existing life insurance.

Homeowners Insurance: As long as you are staying in your home, you will still need homeowner's insurance, but check with your insurance company to find out if you are entitled to any discounts. You might be eligible for a discount because the house will be occupied more often. If you have enough cash to pay a bigger deductible, you might want to consider raising your deductible in order to save money on premiums.

Auto Insurance: Check with your insurance company to see if you are entitled to any discounts. Many companies offer discounts to drivers between the ages of 55 and 70. In addition, you might be able to save on premiums if you are no longer commuting to work every day.

Health Insurance: If you retire before Medicare kicks in at age 65 and your employer does not offer retiree health benefits, you will need to buy health insurance. You might be able to stay on your company's policy for up to 18 months through COBRA, but after that you will have to find an individual policy.

Long Term Care Insurance: Long-term care insurance can be a good investment to help cover nursing home or other expenses if the need arises. While the policies are expensive, the younger you are when you buy a policy, the cheaper the premiums.

How Long Should You Keep Your Tax Returns?

Many people think there is no substitute for keeping your tax returns and supporting records forever, but if you are fundamentally an honest taxpayer, you do not need to keep decades of past tax returns.

If your tax situation is very straightforward, the minimum time to keep your income tax returns and supporting documents is three years from the return's original due date, including extensions. If all or most of your income comes from wages and investments and you have no unusual tax transactions like a home sale, you should be okay adhering to this schedule.

Save all of your tax returns and documents for at least six years if your tax situation is more complex; for example, where you have income from self-employment or have substantial investment gains or losses or simply have some doubts about the accuracy of past tax returns.

If you have been filing grossly fraudulent tax returns or not filing at all, the Internal Revenue Service can go back several years in search of income to tax.

There are some documents that should be kept in a separate file indefinitely, including:

Records supporting cost basis for investments such as stocks, mutual funds, and collectibles. You will need to hold on to these until you sell the investments in order to prove how much you paid for them. Incidentally, you generally do not need to maintain such records for investments you hold in retirement accounts since capital gains and losses in these accounts are not subject to income taxes. The only taxes you pay on retirement accounts are generally assessed when you make withdrawals and are not based on an investment's cost.

Finally, hold on to all records pertaining to the original purchase of your home, including the closing statement, as well as any improvement you have made to your home. These may come in very handy when you eventually sell your home.

Contact Our Attorneys

If you would like more information on articles in our newsletter, or to discuss a legal matter, please contact us at 513-381-5700 or feel free to email our attorneys.

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