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## Timely Tax Tips: Are your financial priorities in order?

By Cynthia Hatfield

Happy Holidays to all!

Are you saving all you can? This is my question to you; dear readers, in this season of spend, spend, and spend! It is so easy to get caught up in the hustle bustle of the season and just have to have that one more gift, or decoration, or whatever it is that appeals to you. And, it is all so appealing, isn't it?

We are such good consumers! And, now, more than ever, we have increased demands for goods and services that we want when we want them! How many of you don't have gift wish lists because you already have everything you need or want? Instant gratification is a bane of our society.

Now, 2004 is almost gone, but 2005 is following quickly, and, with every turn of the calendar, we can choose differently, be it our eating habits, or spending/saving patterns. While I am certain you have heard this before, I hope to impress upon you the desire to save, or, at the very least, spend only what you earn.

First, let's do a financial checkup. Here are a few of the questions to ask yourself.

Are you spending more than you earn monthly? If the answer is yes, look for reasonable ways to cut frivolous spending. Could you make coffee at home instead of stopping off on the way to work every day? How about carrying your lunch a few days a week? By cutting back just a little you will find that these small things add up considerably over a short period of time. Take the monies you have collected and “pay yourself first” by setting aside the money you save for future needs or wants.

Are you fully funding your retirement

plan? The contribution limits increase every year, and, for 2005, the 401(k) or 403(b) limit is \$14,000. Most plans allow you to contribute the maximum, as long as your earnings exceed that amount. Folks over fifty years old may contribute a catch up amount of \$4,000 to their 401(k) or 403(b). Simple IRA plans contribution limits have increased to \$10,000, with a \$2,000 catch-up for those over fifty. Finally, regular and Roth IRA plans have a limit of \$4,000 with an additional \$500 contribution allowed for those over fifty years old. Consider changing your deferral amount beginning in January, and prepare for a financially stronger future!

Are you saving for your kid's or grandchild's college experience? Now may be the time to consider opening a section 529 plan to save for their future. The earnings are tax deferred; and, if they are used for higher education, they are tax free!

Are you saving for that trip you want to take in March to get away from the snow? For the new \_\_\_\_\_ (car, boat, bedroom set, kitchen renovation - fill in the blank) that you have had your eye on? Are you saving for your retirement or vacation get-a-way?

There are so many reasons to save - for security, for future joy, or future need. Review your financial status now, and make a plan for a healthier 2005. Happy New Year!

*If you have questions or comments regarding this article, please direct them to Bainbridge resident Cynthia Hatfield, CPA Tax Manager at Zinner & Co. LLP chatfield@zinnerco.com, or call her at 216-831-0733.*