

With Tax Season Over, Here Are A Few Things To Consider

For many families, “doing your taxes” is synonymous with a stressful scramble to assemble documents, coordinate with your accountant or answer questions using tax software. While this may be the common approach, it doesn’t have to be.

Tax planning and preparation is something that can be done throughout the year to complement whatever returns you may have in your various accounts. Remember, cumulative returns aren’t just about gains and yield, it’s about how much money you keep at the end of the day. Tax savings can be a significant component of that overall return. Many considerations go into the tax planning process, but now that your return has been filed, here are a few important things to keep in mind.

Evaluate Your Refund

If you’re an employee of a company, chances are a portion of your paycheck every month is being withheld by your employer for tax purposes. A tax refund is basically the government giving you back tax dollars you overpaid throughout the year. If you received an especially large tax refund after filing your return, it may be because you’re directing your employer to withhold too much in taxes. By reviewing last year’s tax return, you may be able to determine which deductions you could continue to use in the new year, project what your taxable income may be, and from there determine whether a reduced monthly withholding makes sense for you. By appropriately reducing your withholdings, you can effectively put more money to work throughout the year through saving or investing.

Use Your Tax Bracket to Plan Ahead

Now that your taxes are filed, your accountant, tax preparer or the software you used to complete your return should be able to tell you your marginal tax bracket. Knowing your marginal tax bracket is important, especially if you’re retired, because it dictates the rate at which your highest earned dollar is taxed.

Knowing your marginal tax bracket on an ongoing basis allows you plan around income events, or if you’re retired and living off of savings, track the amount of income you’re receiving to make your withdrawals from various investment accounts more tax efficient. In doing so, you can effectively begin to implement a much more detailed tax planning strategy by projecting what your marginal tax rate will be over the next several years to “fill up” tax brackets. The end result can be a much more efficient and cost-effective approach to both tax filing and the ultimate amount owed each year.

Review Your Filing Process

Filing your tax return every year may typically be associated with stress, finding documents and getting dozens of questions answered to meet a filing deadline. It doesn't have to be that way. If your tax filing process is something you dread every year, review what you're doing currently to determine if there's a better way. Organizing documents like W2s, receipts, or payroll documents can have a positive impact on both the time and stress involved in completing a return.

Consider Working With Your Wealth Team

Hiring a professional could be a positive step toward helping to ensure your tax filing and planning process is not only less stressful but more accurate. At Mariner Wealth Advisors, your wealth advisor will work with our in-house tax team on proactive, year-round tax strategies to help you minimize your tax burden.



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