SARD
WEALTH MANAGEMENT GROUP, LLC

CLIENT NEWSLETTER **BY: JONATHAN SARD, CFP®**
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Important Information

Most of you have filed your 2014 taxes by now; however, for those who have not, please let us know if there is anything you need. As a reminder, most of our clients were to receive two 1099s for tax year 2014 as a result of having accounts at NFS and TD Ameritrade during 2014.

So far, the general stock markets in 2015 are up slightly, but there has been a bit more volatility when compared to 2014. There have not been any major discussions regarding tax changes since our last newsletter and things on the political front remain relatively quiet here in the US, at least until we get closer to the election next year.

How Long Do You Have To Keep Your Statements?

People are always asking how long to keep statements and other financial documents.
Here are some suggestions on what to keep and when to purge.

Tax returns - The Internal Revenue Service urges you to keep federal tax returns until the period of limitations runs out. The period of limitations equals the time frame you have to claim a credit or refund, or the time frame in which the IRS can levy additional taxes on you. (This is a good guideline for state returns as well.)[1]

If you file a claim for a credit or refund after you file your tax return, the IRS would like you to keep the relevant tax records for 3 years from the date you filed your original return or 2 years from the date you paid the tax, whichever is later. If you claim a loss from worthless securities or a bad debt deduction, you are advised to keep those records for 7 years. The IRS also advises you to retain employment tax records for at least 4 years after the date that the tax becomes due or is paid – again, whichever is later. The exception is if you filed a fraudulent return or no return, in which case you should keep related/relevant documents "indefinitely."[1]

Some tax and financial professionals advise people to keep their tax returns forever, but concede that canceled checks, receipts and other documents supplemental to returns can usually be safely discarded after 3 years.[1]

Tax records relating to real property or "real assets" should be kept for as long as you hold the asset (and for at least 7 years after you sell, exchange or liquidate the asset). These records can help you figure appreciation, depreciation, amortization, or depletion of assets with regard to the property. You also might want to keep receipts and tax records related to major home improvements because if you sell your home, you can show tomorrow's buyer how much you put into the house.[1]

Mutual fund statements - The annual statement is the one that counts. When you get your yearly statement, you can toss quarterly or monthly statements (unless you really want to keep them). You might want to quickly glance and make sure your annual statement truly reflects changes of the past four quarters.

You want to keep any records showing your original investment in a fund or a stock, for capital gain or loss purposes. Your annual statement will tell you the dividend or capital gains distribution from your fund or stock; as you may be reinvesting that money, you have a good reason to keep that statement.[2]

IRA & 401(k) statements - You get a new one each month or quarter; how many do you really need? The annual statement is the most relevant. Additionally, you want to hang on to your Form 8606, your Form 5498, and your Form 1099-R.[3]

Form 8606 is the one you use to report nondeductible contributions to traditional IRAs. Form 5498 is the one your IRA custodian sends to you and it is sometimes called the "IRA Contribution Information" or "Fair Market Value Information" form, and it usually arrives in May. It details a) contributions to your traditional or Roth IRA and b) the fair-market value of that IRA at the end of the previous year. Form 1099-R, of course, is the one you get from your IRA custodian showing your withdrawals (income distributions).[2]

Bank statements - The rule of thumb for most people is 3 years just in case you are audited. Some people shred bank statements after a year, or immediately, fearing that such information could be stolen.

In some cases, it is wise to hang on to bank statements longer. If you are going through a divorce, if someone tries to take you to court in the future, or if a creditor comes knocking, you may want to refer to them. Your bank may provide you with archived statements online or on paper.

Payroll documents - Many financial and tax professionals advise you to retain these for 7 years or longer if you are a small business owner or sole proprietor. The IRS would like you to keep them around at least that long. Again, should there be a lawsuit or a divorce or any kind of potential legal dispute involving your company or one of its employees, a detailed financial history can prove very useful.[1]

Credit card statements - You don't need each and every monthly statement, but you may want to keep credit card statements that contain tax-related purchases for up to 7 years.

Mortgage statements - The really crucial records are most likely on file at the County Recorder's office, but it is recommended that you retain your statements for up to 7 years after you sell or pay off the mortgaged property.[1]

Medical records & medical insurance - The consensus is 5 years from the time treatment ends (or from the time medical services are rendered, with regards to insurance). Retain records for 7 years following the end of the year in which they are claimed.

So, what should you do now after reading all of this? Well, as you can see it is important you are keeping good records of your finances and your statements. Each quarter we want to remind you to alert us to changes in your financial situation or investment objectives to ensure that we are aware of any situation that might require changes in the management of your accounts. Please remember to contact us to discuss how these changes impact your investment accounts!

Citations

1 - irs.gov/Businesses/Small-Businesses-&-Self-Employed/How-long-should-I-keep-records [1/27/15]
2 - forbes.com/sites/davidmarotta/2014/01/26/how-long-should-i-keep-financial-and-tax-records/ [1/26/14]
3 - http://budgeting.thenest.com/should-keep-retirement-statements-23027.html [2014]

Financial Tip of the Month

Four tips for building an emergency fund

Planning for emergencies is like buying insurance - you pay into an account, and hope you'll never have to use it. However, life happens, cars break down, roofs leak, kids break arms and having money in the bank to cover those unexpected expenses can reduce stress and keep you from relying on credit cards and loans to make ends meet.

Here are four easy and effective ways to establish and maintain an emergency fund.

- **Start small.** Many financial planners advise setting aside enough money to cover at least six months of expenses. That's a worthy goal. But for many people it's also a daunting task and could take months or longer to achieve, so it is important to be realistic. Set a realistic and achievable amount for your emergency fund, and then get in the habit of contributing regularly, even if it's only a small amount each week. Then don't touch the account except for real emergencies.
- **Pump it up.** When you get a bonus, cost-of-living adjustment, tax refund, or windfall, consider using a portion of that money to bolster your emergency account.
- **Make it automatic.** With online banking, it's easy to set up routine transfers from your regular checking account to a separate savings account. If allowed by your employer, allocate a portion of each paycheck to an emergency fund. Consider establishing the account at a financial institution other than your regular bank. As the saying goes, "Out of sight, out of mind." If the money never shows up in your regular checking account, you'll be less likely to use it for everyday spending.
- **Sell stuff and slash expenses.** Yard sales, online auctions, consignment shops — selling items via such venues can generate cash to bolster your emergency fund. Take a hard look at your budget and consider everything fair game: expensive dinners, vacations, cable television, and so on. You may find that a surprising number of dollars can be freed up and stashed away in savings. The key, of course, is to direct those savings away from regular spending and into your emergency account.

When facing life's inevitable bumps in the road, an emergency fund is essential to maintaining financial security. If you'd like more ideas for setting financial goals or building up an emergency fund, give us a call.

Please keep in mind that this tip is designed to be of help for you, but is not to be relied upon as advice. It is merely a reminder that there are many choices you have available to you, and that planning may be the only way to find the right answers for your situation. As with any financial issues, make sure you get the right information before making a decision. If you have any questions, we'll be glad to help you!

Client Quiz

Quiz Question and Answer

Question: True or False. There is no difference between a tax deduction and a tax credit.

We wanted to thank those of you who have participated in our Client Introduction program. As you know, marketing for new clients takes a great deal of money, time, and energy and we would much rather spend our resources improving your financial health. We, like most businesses are looking to grow; however, for the benefit of our existing clients we are only able to take on a limited number of new clients each year. Over the years, we have learned that encouraging you to introduce us to people you know works well for all of us…we help you, and you help us. If you aren't familiar with our friends helping friends program, please call our office

or be sure to ask us at your next meeting. The few minutes it takes to learn about how it works will be well worth your time and energy!

Answer: False. A tax credit provides a dollar-for dollar reduction of your income tax liability. This means that a $500 tax credit will save you $500 in taxes. A tax deduction will lower your taxable income and are equal to the percentage of your marginal tax bracket.

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