



# Tax, Accounting & Financial Services, Inc.

*Planning for a  
secure financial future*

## A SMART Start to the New Year

Make one of your GOALS (or resolutions) to improve your money habits.

One step in that direction just might be **saving more for retirement**. Save some of that pay raise you were lucky to get or some of that tax refund. Have a PLAN to save money even before you get it. Don't PROCRASTINATE...get started. Even a small savings

adds up to an accumulation over time.

I've never heard anyone say "Oh, I've saved too much money for my retirement!"

Make 2005 the year you STOP procrastinating...complete that estate plan you've meant to do; get the disability, long term care or life insurance you KNOW you

need but haven't gotten around to; set up that 529 plan for your children's or grandchildren's college education savings.

Appointments with Cheryl Wilson will be available during tax season to discuss investing and estate planning. The goal is to stop procrastinating and start accomplishing your goals!!

### Inside this issue:

Contact our office for an E-Organizer	2
Can you Afford to Retire Early?	2
The Most Common Mistake	2
Charitable Contributions	3
Gambling Winnings and Losses	4
Protect Yourself From Identity Theft	5
Potential Ways to Save Taxes	5
Send us your e-mail address!!	6

## It's Never Too Soon to Plan for your Golden Years

Many seniors have to return to work out of need, rather than want, and are delaying their plans for retirement because they didn't set aside enough to live comfortably and do more of what they dreamed of in retirement. It is never too early (or too late) to improve your odds of living in comfort!!

1. **PLAN**—failing to plan in advance for retirement is a huge mistake. Quantify what you want, when, and then modify the plan as time dictates. (Some call this a BUDGET!) Review your plan at least annually prior to and in retirement.

2. **SAVE**-whenever possible,

increase your savings rate by signing up for any and ALL automatic investment plan programs, especially your 401(k) plan at work. "Save till it hurts" and you will be so grateful down the road.

3. **INSURE RISKS**-as part of your pre-retirement or retirement plan, review all your insurance coverage to be sure you have both the adequate amount and appropriate type (including life, disability and long-term care). Another way to insure against the uncertainties of life is to review your wills, trusts, powers of attorney and beneficiaries.

### 4. BE AWARE

-Social Security provides 50% or more of income for two-thirds of its recipients;

-Making the right pension payout choice is critical to your lifelong battle with inflation and taxes. (The fastest growing age group today is those aged 100 and greater.)

-Retiring today without an employer funded retirement health plan means you will need about \$160,000 in savings to supplement Medicare and cover out-of-pocket costs.

Cheryl Wilson can help you with these decisions. Call for an appointment..



9124 E. Main St. #3  
Mesa, AZ 85207  
Red Mountain Plaza  
NW Corner of Ellsworth & Main St (Apache Trail)

www.cdtax.com  
cherylw@cdtax.com

(480) 354-1040  
FAX (480) 354-1041

Volume 9, Issue 1

Cheryl Wilson is a Registered Representative offering  
Securities through: J.W. Cole Financial, Inc., 3550 Buschwood Park Drive, Ste. 135, Tampa, FL 33618  
(866) 592-6531 Member NASD/SIPC

C&amp;D

## Contact our office for an "E-Organizer"

Call today, and we will e-mail you an E-Organizer to help gather your tax information.

Information about your tax return can be entered directly into the E-Organizer and e-mailed back to our office.

Information about your previous tax return is already entered, and gives you a "checklist" of what was used on last year's tax return.

Using E-Organizer saves time!! It allows you to gather the information, about your

2004 income tax return, in the privacy and comfort of your own home. We will contact you about any items that are missing in your E-Organizer. We will still need the paper documents, such as W-2's, 1099's, etc. These can be dropped off at the front desk of our office.

If you still would like an appointment, just e-mail the E-Organizer to our office and request an appointment. We will already have the basic information, and can then

spend your appointment discussing questions or other tax or investment issues.

If you are not a previous client or do not wish to use the new E-Organizer, we will be happy to send you a paper organizer. Contact our office today!!

If you would like an E-Organizer, e-mail [cherylw@cdtax.com](mailto:cherylw@cdtax.com) with your e-mail address and the E-Organizer will be sent to



## Can You Afford to Retire Early?

Do the joys of retirement beckon to you? The opportunity to travel, spend more time with friends and family, and enjoy new adventures may tempt you to leave the working world. Before you start this new chapter in your life, however, you may want to take the following quiz to help determine how retirement-ready you and your finances are.

1. How do your estimated

retirement expenses compare to your current expenses?

2. How much money have you accumulated for retirement?
3. What percentage of your income goes to paying off debts?
4. Do you plan to continue working part-time, freelance or at another job?
5. What kind of lifestyle do you plan to lead in retire-

ment?

The old rule of thumb that most people need at least 70% of their pre-retirement income to maintain their current standard of living is no longer as accurate as it once was. With increased life spans, rising health care costs and the effects of inflation, it makes sense to plan to retire at, or as close as possible, to your pre-retirement income.

## The Most Common Mistake...after losing a loved one

Losing a spouse or loved one can be confusing and emotionally wrenching. Strong emotions can cloud one's thinking. Actions taken at this time can cause additional confusion or problems when propelled by these emotions.

All too often, surviving spouses or children act quickly, retitling assets such as homes or IRA accounts into their names, thinking that this will enable easy access to the assets, or that it will protect the assets from the probate process or the IRS.

Quite the contrary. Rather, the most important thing to do upon the unfortunate circum-

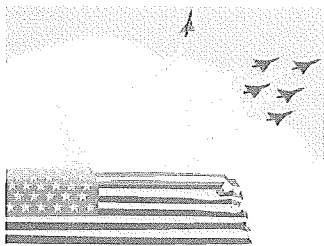
stance of the passing of a loved one is to contact our office. There are many legal and tax issues and occasionally gift issues that should be discussed before decisions are made. We can also determine if an attorney is needed, and can refer you to someone if necessary. Well-meaning but ill-advised actions can have unexpected negative consequences.

This does not mean that all financial avenues are closed. Individually owned or joint assets can still be used to pay for living expenses and other immediate needs. Take care, however, as there are many

unscrupulous advisers who may appear with get-rich-quick schemes designed to prey upon the emotional fears that accompany the loss of a loved one. Often they apply tremendous pressure to retitle or transfer assets immediately.

Sometimes the best course of action is no action. Take some time to grieve, then set an appointment with Cheryl Wilson to review and consider the best plan for you and your family. This will allow you to make the necessary financial moves, rather than rushing into actions that can cause more harm than good.

"...just e-mail the E-Organizer to our office at [cherylw@cdtax.com](mailto:cherylw@cdtax.com) and request an appointment. We will already have the basic information, and can spend your appointment discussing questions or other tax or investment issues."



## Charitable Contributions

Giving to others to make their plight a little easier makes us feel good. Considering the positive tax ramifications of charitable giving can make a good feeling feel even better.

Charitable organizations depend on your generosity but not all charitable gifts result in tax benefits. Here is some information that will help you know what charitable gifts provide tax benefits and how to receive the benefits.

### WHO CAN I MAKE CHARITABLE CONTRIBUTIONS TO?

Tax benefits can be gained through contributions to recognized charitable organizations, otherwise designated by the Internal Revenue Service as Section 501(c)(3) organizations. Among these organizations you will find churches, schools, and nonprofit groups organized for religious, charitable, educational, scientific, literary purposes, prevention of cruelty to children or animals, and certain national or international amateur sports competitions. You can even make voluntary contributions to the federal government, any state or local government, or any U.S. possession. Of course, the gift must be for public good and not to license your puppy. Generally the charities must be organized in the United States to qualify. Certain Canadian, Mexican, and Israeli charities may qualify if they are covered under an income tax treaty and you have earnings in those countries. To find out whether a charity is qualified for tax purposes, you can check with the

organization or the IRS. The IRS has Publication 78, Cumulative List of Organizations described in Section 170(c) of the Internal Revenue Code of 1986, that contains the names of qualified charitable organizations. This publication can be viewed by visiting the IRS website at [www.irs.gov](http://www.irs.gov).

### WHAT CAN I GIVE?

A charitable contribution can be in the form of cash or property. A cash contribution is the easiest to value. The value is the amount given, no matter whether it's cash, check, or credit card. The value of property is a little harder to obtain. Normally, the deduction will be the smaller of the property's value or its cost. You can gift items such as clothing, food, personal items, household goods, stocks, bonds, or real estate. If these items have been recently purchased or appraised, you have a reasonable value. If not, you have to obtain the value by some reasonable means. Many of the organizations, such as Salvation Army, provide a guide of reasonable values for used property. The Salvation Army guide is available at [www.salvationarmyusa.org](http://www.salvationarmyusa.org) by searching for "valuation guide". It is helpful to have a copy of this valuation guide when you make your donation. Used cars have also been a popular donation. The IRS recently introduced Publication 4303, A Donor's Guide to Giving a Car, to help with the valuation and reporting needs.

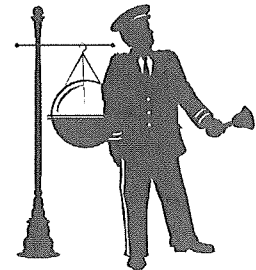
### IS THERE A LIMIT TO WHAT I CAN GIVE?

There is a limit to the amount that you may deduct in a given year. First as an individual, you must be able to itemize your deductions to benefit. Secondly, the deduction is generally limited to 50% of your income. A 30% limit applies to certain selected organizations such as veteran's organizations and fraternal organizations such as the Elks Club or Moose Lodge. If your contribution is property instead of money, the limit may be reduced to 30% and 20%, respectively if the fair market value (FMV) is higher than your cost. If you give more than your limit in one year, you can carry over the excess for a maximum of five years.

### WHAT PROOF DO I NEED?

The important part of claiming a charitable deduction is having the proof to substantiate the contribution. If you're making cash gifts, canceled checks or receipts for the charity are necessary. When the gift is \$250 or more, you must have a written receipt from the organization along with the date of the contribution, the amount contributed, and the value of anything received in return. This receipt must be in your hands before you file your income tax return for that year. When a contribution of \$75 or more is made and you received goods or services in return, the organization must provide a statement to you outlining the value of the goods or services you received.

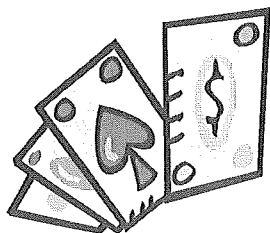
**"If your W-2 form doesn't arrive by the first week in February, call the employer to inquire as to the status of the form."**



**Call 480-354-1040 today for a TAX ORGANIZER!! This will assist you in gathering up your information for your tax appointment.**

C&amp;D

## Gambling Winnings and Losses

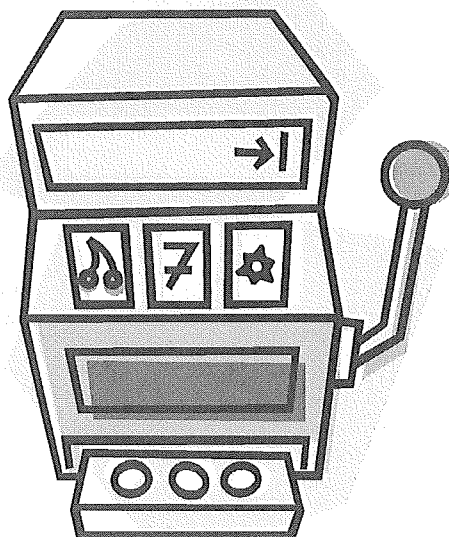


What attracts people to Las Vegas besides the glamorous lights, beautiful hotels, and big name entertainment? Of course, it's the gambling center of the U.S. When you think of gambling, winning always comes to mind; but the tax consequences aren't as much fun to think about. When you win, you are required to report all of your winnings. It doesn't matter whether you went to Las Vegas, Reno, Atlantic City, picked up a scratch-off ticket for the state lottery at the local gas station, or visited a local casino. Gambling winnings are taxable! The winnings can come from cards, slots, Keno, bingo, horse racing, betting on sporting events, or any other type of wagering, legal or illegal.

winnings are at least 300 times the wager; \$1,200 or more in winnings from bingo or slot machines; and \$1,000 or more in winnings from Keno. Certain types of winnings are subject to income tax withholding when the winnings exceed \$5,000. But even if you didn't win enough to require the establishment to send a Form W-2G you're not excused from reporting the income.

consider as substantiation of the gambling activity. This directive is still being used today. The IRS is looking for an accurate diary or similar record regularly maintained by you along with verifiable documents to back up the entries.

Wagering tickets, scratch-off tickets, canceled checks, credit records, ATM withdrawals, bank withdrawals and statements, actual winnings or payment slips provided by the establishment, Forms W-2G, and other IRS documents may be used to verify the diary. If you travel away from home, hotel records can help to place you at the scene of the winnings or losses.



You might say, "I took a \$100 to the casino and didn't come home with any extra, therefore, I don't have to report anything." If you bet the money and did not win anything back, your income is zero and your nondeductible loss is \$100. But maybe you put the money into a slot machine that paid off \$400. You were feeling lucky and put the money back in and lost it again. Tax law says the \$400 is reportable gambling income. It is up to you to prove that you lost the \$400.

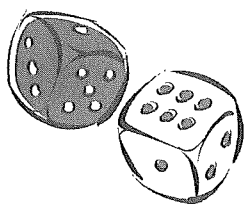
Why is all of this important? The new commissioner of the IRS has made it clear that enforcement of tax laws is a primary objective of his administration. More audits are currently taking place. To win an audit, you must be prepared with the proper documents to back up your deductions. Don't take this as a threat by the IRS, just protect yourself by keeping good records.

Here's one last reminder for those who pool resources to buy lottery tickets. If your group is fortunate enough to win, you will want to give all the names and identification numbers of the winners to the redeeming agent. If you do not identify the winners as a group at redemption, the Form W-2G will be issued in the name of the person who presented the winning ticket. That means that person is responsible for

**"Why is all of this important? The new commissioner of the IRS has made it clear that enforcement of tax laws is a primary objective of his administration."**

If you have losses, you can deduct those losses up to the amount of winnings. But the catch is, aside from the bet you made on the specific transaction that produced the win, you must itemize your deductions in order to benefit from the losses. If all your itemized deductions collectively are too low to benefit from itemizing, your gambling deduction is buried in the standard deduction. If you lost more than you won, the excess loss is lost.

The gambling establishments have certain requirements to provide documentation to the IRS and the winner. They must issue a Form W-2G to anyone who receives \$600 or more in winnings from state lotteries; \$600 or more from horse racing, dog racing, or jai alai if the



Back in 1977, the IRS provided guidance on what they would

## Protect Yourself against Identity Theft

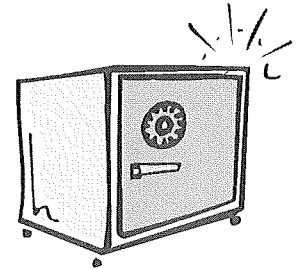
Whether snatching your purse, diving into your dumpster, stealing your mail, or hacking into your computer, they're out to get you. Who are they? Identity thieves. According to the FBI, close to 700,000 Americans become identity theft victims every year.

Identity thieves can empty your bank account, max out your credit cards, open new accounts in your name, and purchase furniture, cars, and even homes on the basis of your good credit history. And all you'll get for their efforts is the headache and expense of cleaning up the mess they leave behind.

Fortunately, there are many things you can do to help protect yourself from becoming a victim of identity theft:

- Minimize the number of credit cards you carry, and never carry your birth certificate and Social Security card unless you need them.
- Memorize your debit card PIN; don't write it on your card or carry it in your wallet. When entering your PIN at an ATM, shield your hand from prying eyes.
- Always take credit and debit card receipts with you and compare them with your monthly statements when they come in.
- Shred any documents containing personal information before throwing them out—including pre-approved credit card offers you receive. Ask the credit bureaus to remove your name from prescreening lists used to generate these offers.
- Don't give out an account number over the phone unless you know the company you're dealing with and you initiated the call. Shop online only with merchants using a secure network.
- Get copies of all three of your credit reports at least annually and check them for any fraudulent activity.

Beginning December 1, 2004, the Fair and Accurate Credit Transactions Act of 2003 provides you with an arsenal of new weapons to combat identity theft, including a free credit report each year, fraud alerts placed on your credit file, information blocking about identity theft on your credit report, and the right to ask credit agencies to truncate your Social Security number on any disclosures they send you, including your credit reports.



## Potential Ways to Save Taxes!

### Itemized Deductions:

**Medical Expenses**-this includes out of pocket amounts paid to doctors, hospitals, and pharmacies. As well as amounts paid for prescription glasses and mileage related to medical items. Be sure to keep your records of what you have paid (receipts or cancelled checks). Although you have to attain a certain threshold before you can itemize on your Federal tax return, in Arizona your medical expenses are allowed from the first dollar.

**Taxes**-this includes state taxes withheld or paid, real estate taxes paid, taxes on personal property (car registration/vehicle license tax), and taxes paid on property held for investment. **\*NEW THIS YEAR\*** Included in the new tax law is a deduction for sales taxes, but only if they exceed the state taxes paid. Bring sales tax paperwork for the purchase of a new car.

**Charitable Contributions**-this covers a variety of deductions from cash contributions to a qualified religious organization to household

items donated to Goodwill, Salvation Army or other non-profit organizations. For cash contributions, cancelled checks in and of themselves are not sufficient to justify this deduction; instead for donations over \$250 you should attempt to obtain a receipt from the organization. On non-cash contributions the IRS allows the donor to deduct the fair market value of the contributed item. Be sure to itemize those items that you give to charity as it may provide more of a benefit. If you have a large item, it may require an appraisal, so contact our office if you have questions.

**Miscellaneous Deductions**-this is a long list from un-reimbursed business expenses (required mileage, meals/entertainment, continuing education, etc). Also included are job search costs (resume preparation, travel for interviews, etc). Professional and union dues, trust expenses, legal fees related to taxable income are also included. Gambling losses, to the extent of winnings, are also deducted in this section.

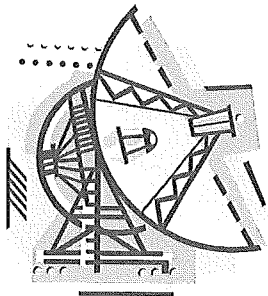


**C&D Tax, Accounting & Financial  
Services, Inc.**

**9124 E. Main St. #3  
Mesa, AZ 85207  
(480) 354-1040**

---

## Send Us Your E-Mail Address



C&D Tax, Accounting & Financial Services is sending out newsletters of interest to our clients. These newsletters will include information about taxes, accounting and investing.

Send us your e-mail address to get on the mailing list!!!

E-mail [cherylw@cdtax.com](mailto:cherylw@cdtax.com) today with your e-mail address and get IN THE LOOP!!!