Freddi Eberhart & Associates Inc.
CERTIFIED PUBLIC ACCOUNTANTS

Newsletter

NOVEMBER 2019

Freddi Eberhart & Associates Inc. would like to thank you for selecting our firm for your tax and accounting needs. We appreciate the confidence you have shown in us, and we remain ready to assist you at any time. Also, thank you for recommending us to your family, friends, and associates. We truly appreciate your referrals.

This Month:

November 11

- Veterans Day

November 28

- Thanksgiving

November 29

- Black Friday

Reminder

- Conduct year end tax and financial planning

2020 is coming quick — are you prepared? Take stock now and learn about the year-end moves that'll help you save. Plus, tips to improve your credit score, 6 ways to cut your everyday expenses, and everyone needs a financial plan.

Call if you would like to discuss how this information relates to you. If you know someone who can benefit from this newsletter, feel free to send it to them.

Save Money With These Year End Ideas

There's still time to reduce your potential tax obligation and save money this year (and next). Here are some ideas to consider:

- **Estimate your 2019 and 2020 taxable income.** With these estimates you can determine which year receives the greatest benefit from a reduction in income. By understanding what the tax rate will be for your next dollar earned, you can understand the tax benefit of reducing income this year AND next year.

~ Continued on Page 2 ~

2237 DOUGLAS BLVD., STE 120 ROSEVILLE, CA 95661
PHONE: 916.580.2120 FAX: 916.580.2114 WEB: WWW.FREDDICPAS.COM

Save Money With These Year End Ideas (Cont'd)

- **Fund tax-deferred retirement accounts.** An easy way to reduce your taxable income is to fully fund retirement accounts that have tax-deferred status. The most common accounts are 401(k)s, 403(b)s and various IRAs (traditional, SEP and SIMPLE).

- **Take your required minimum distributions (RMDs).** If you are 70½ or older, you need to take required RMDs from your retirement accounts by Dec. 31. Don't forget to make all RMDs because the fines are hefty if you don't — 50 percent of the amount you should have withdrawn. Keep in mind, even if you don't have RMDs yet, removing a planned amount from your retirement accounts each year may be more tax efficient than waiting until you are required to do so.

- **Manage your gains and losses.** Rebalance your investment portfolio, and take any final investment gains and losses. When you have more losses than gains, up to $3,000 can be used to reduce your ordinary income. With careful planning, you can take advantage of this loss amount each year.

- **Finalize your gift-giving strategy.** Each year you may gift up to $15,000 without tax reporting consequences to as many individuals as you choose. Consider any gift-giving you wish to make up to the annual limit. This could include gifts of cash or property, and investments.

- **Donate to charities.** Consider making end-of-year donations to eligible charities. Donations of property in good or better condition and your charitable mileage are also deductible. Receiving proper documentation that acknowledges your contributions is important to ensure you obtain the full deduction. Have a plan by knowing your total deductions for the year to help you decide how much and when to donate. Pulling some donations planned for 2020 into 2019 may be a good strategy.

- **Review your automated billing transactions.** This is a good time to identify what automatic monthly expenses should be reviewed for reduction or elimination. You may also discover billing for services you thought were canceled. This specific review often catches errors that a simple account reconciliation may be missing.

- **Organize records now.** Start collecting and organizing your tax records to avoid the scramble come tax season.

- **Develop your own list.** Use these ideas as a jumping off point to create your own list of annual review items. It might also include reviewing college savings accounts, beneficiaries, insurance needs, wills, and going through an aging parent's financial accounts.

~ Continued on Page 3 ~

Tips to Improve Your Credit Score

Your credit score is more important than ever. Once viewed as a necessity when applying for a mortgage, it now factors into renting an apartment, paying for utilities, buying a cell phone, and determining the amount you pay for home and auto insurance! Here are tips to help you improve and maintain a good credit score:

1. **Know which bills must be paid on time.** One bill that goes more than 30 days past its due date can drop your credit score 40 points and can stay on your credit report for seven years! If you are in a cash pinch and can't pay all your bills on time, prioritize mortgage, car loan and credit card bills that report late payments to credit agencies. Utilities and medical organizations generally don't report a delinquency until your account is sent to a collection agency.

2. **Watch revolving credit balances.** Each credit card has a credit ceiling. This credit limit is compared to how much of it you use. The higher amount of the credit limit you use, the lower your credit score. Even if you pay the bill in full each month! Ideally, try to keep the spending balance less than 20 percent of your credit limit. If your routine spending is higher than this, consider requesting a higher line of credit, but do not use it. The sole purpose of this request is to create a higher credit score.

3. **Pay off debt.** Current debt balances account for as much as 30 percent of your credit score. When you consider this and the high interest rates that come with debt, it's important to get those balances to zero as soon as possible. Your debt-to-income ratio (total debt divided by your total income) doesn't directly affect your credit score, but it's a key metric used by underwriters when determining loan eligibility and interest rates.

4. **Add new debt only when necessary.** Adding new debt can reduce your credit score in a few different ways: your debt profile increases, your debt-to-income ratio rises, and even the credit inquiry itself can take a chunk out of your score. If you have a relatively short credit history, too many credit inquires will affect you even more.

5. **Consider keeping dormant credit cards open.** Have an open credit card that you've paid off or have never used? Your instinct might tell you to close the account, but keeping it open may actually help your credit score. An active credit card in good standing for a long period of time helps your credit score. Plus, the additional unused credit limit on your books lowers the ratio of spending to total credit limit and improves your score.

~ Continued on Page 4 ~

Tips to Improve Your Credit Score (Cont'd)

6. **Actively monitor your credit reports.** You can get a free credit report from each reporting agency every 12 months on the Annual Credit Report website. These reports tell you everything you need to know about items impacting your credit score. Reviewing these items on a routine basis is an important exercise to ensure a correct report. If you find a mistake, you can work to get it removed and improve your score.

6 Ways to Cut Your Everyday Expenses

Many people dream of making more money, but cutting expenses can have the same effect. Identify unnecessary expenses with these six money-saving ideas and help free up some cash:

1. **Eliminate late fees.** Most late fees are the result of being too busy, traveling or simply forgetting. Fortunately, late fees are almost entirely avoidable if you have a plan. A lot of people only think of credit card late fees, but they can also show up in many places including utility bills, subscriptions and registration fees. Take a look at your bills and identify the kinds of charges you're getting. Scheduling automatic payments should help you avoid late fees going forward. And if you get one, call and try to get it canceled. It just might work!

2. **Cancel unnecessary subscriptions.** Subscriptions are popping up everywhere. They include everything from weekly shaving products to video and music streaming services. With so many options, it's easy to double up on services or forget to cancel one that you were planning to use for just a short time. Review all your monthly subscriptions and cancel the ones that are no longer providing value.

3. **Minimize interest expense.** Paying for day-to-day expenses with a credit card to rack up points to use for airfare or other perks is a great cash management tool, but the interest that builds up if you don't pay it off every month negates the perks and creates an extra expense. If you find yourself in a situation with multiple credit card balances, consider a consolidation loan with a lower interest rate.

~ Continued on Page 5 ~

6 Ways to Cut Your Everyday Expenses (Cont'd)

4. **Be selective with protection plans.** With virtually every purchase, the store or website offers to sell you insurance in the form of a protection plan. And for good reason — they're profitable to them and not you! Insurance should be reserved for things you can't live without like your health and your home. Pass on the protection plan for your toaster.

5. **Review your deductibles.** A deductible is a set amount you pay before your insurance kicks in to cover the cost of a claim. The higher the deductible, the lower your monthly premium. If you have enough in savings to cover a higher deductible when disaster strikes, raising the deductible may save you some money on a month-to-month basis.

6. **Try a little DIY.** If you own a house, you know it's just a matter of time before something breaks or stops working. When it happens, don't instantly reach for the phone to call a repairman. Repair videos are in endless supply online. Often, an easy fix will do the job. Simple fixes can lead to big savings, especially since repair services charge minimums and fuel surcharges.

While some ideas take a little more analysis to understand the true benefits, many are just the result of paying attention. Taking a proactive approach can provide a big boost to your budget.

Everyone Needs a Financial Plan

As some point you will be responsible for your own money. If that is not currently the case for you, here are some ideas to help get your financial plan in order.

Retirement fund. Saving for retirement is crucial. Even small amounts can go towards U.S. savings bonds or mutual funds with an automatic savings plan. If you have more money to work with, diversify your holdings among several types of investments. The younger you are, the more you should consider growth investments, which are likely to increase your nest egg in excess of the inflation rate. True, your strategy may change over time, depending on your age, total assets, tax bracket, and tolerance for risk. But you should never totally stop investing for growth

~ Continued on Page 6 ~

Everyone Needs a Financial Plan (Cont'd)

Disability insurance. Of course, picking winning investments isn't the only goal of good financial planning. Adequate insurance is also essential. For example, disability is far more common among middle-aged people than death, yet disability insurance is often overlooked. Consider supplementing any employer's coverage with your own policy. Most people aim to replace 60%-80% of pretax income, since disability payouts are generally tax-free. A disability policy should cover partial disability as well as total disability. You should be able to save money on premiums by opting for a longer waiting period before receiving benefits.

Life insurance. If you have dependents, you need enough life insurance to protect them. This is true even if you're a married stay-at-home mom, if your absence as caregiver would create financial hardship for your family.

Estate plan. Finally, prepare an estate plan that meets your needs. Review it with your accountant and your attorney every few years to ensure that you stay current with the tax law and with changes in your personal circumstances.