



Newsletter

JANUARY 2025

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:

Upcoming dates:

Begin tax filing for 2024

- Organize tax documents (W-2s, 1099s, 1098s and other records)
- Schedule tax appointment for document drop off or meeting

Begin tax planning for 2025

- Create a budget
- Adjust your withholdings
- Rebalance investment portfolios

January marks the official beginning of the 2024 tax filing season. Informational tax returns will start pouring in, so too will the bad players trying to take advantage of the unwary taxpayer. So be on the alert for possible tax identity theft. Now is the time these bad players are most active.

This month's focus is on the new year. Traditionally a time for new year's resolutions, each article chosen is a different angle on approaching the new year. Whether it is getting prepared for the upcoming filing season, or a new year review of your retirement savings plan, now is a great time for review and goal setting.

There is even an article on suggestions to help prepare the financial future of young loved ones and a list of areas that could use an annual check up. Enjoy!

It's Tax Preparation Time!

Tips to organize your records

January officially launches the tax season. As those tax forms start coming in, here are some tips to help you stay organized to make filing your tax return efficient and with the least amount of potential stress:

- **Gather your tax documents.** Create a list of expected tax forms and then mark them off as they are

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It's Tax Preparation Time! (Cont'd)

received. This includes W-2s, 1099s, K-1s, and other statements from your employer, business, brokers, banks, or other sources. If you notice any errors, promptly contact the issuer to request corrected copies.

- **Stay organized.** As you gather your documents, designate a specific spot to keep everything together. Consider scanning the documents to store them digitally on your computer, or take photos with your phone as a backup. Missing paperwork is one of the most common reasons for delays in filing tax returns.
- **Mark important deadlines.** Make and keep your tax filing appointment in mind. While April 15 is the normal filing deadline, your deadline could vary depending on business returns and your tax appointment. But also keep April 15th in mind - it's the deadline for filing your 2024 individual income tax return. It is also the due date for submitting gift tax returns, contributing to a Roth or traditional IRA for 2024, and paying the first installment of 2025 individual estimated taxes. Set reminders in your calendar to stay on track.
- **Know business tax deadlines.** If you're involved in a partnership or an S corporation, remember that business tax returns are due by March 17th. For calendar-year C corporations, the deadline is April 15th.
- **Review your mileage logs.** If you're claiming mileage for business, moving, medical, or charitable purposes, ensure your logs are complete, accurate, and up to date. Review and total them to avoid discrepancies.
- **Check your child's tax requirements.** Your child might need to file a 2024 income tax return. Typically, a return is required if their earned income exceeds \$14,600 or if their investment income (e.g., dividends, interest, or capital gains) is more than \$1,300.
- **Maximize IRA and HSA contributions.** You can still make contributions for 2024 to your IRA or HSA until April 15th or the date you file your return, whichever is earlier. The 2024 IRA contribution limit is \$7,000 (or \$8,000 if you're age 50 or older). For HSAs, the maximum is \$4,150 for single taxpayers and \$8,300 for families.
- **Plan for an extension if needed.** If you anticipate needing an extension, you must calculate your estimated 2024 tax liability. Even with an extension, you'll need to pay any taxes owed by April 15th to avoid penalties and interest.

By following these steps, you can simplify the tax filing process and avoid unnecessary stress as deadlines approach.

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Plan Your Retirement Goals for 2025

Consistent with our new year's theme of starting the new year out on a great financial footing, one cannot overlook planning for your retirement future. Now is a good time to review your alternatives and plan to take full advantage of programs available to you and your family. Here are some ideas.

- **Maximize your employer retirement benefit.** The first place to start is to look to see what your employer offers in the way of retirement benefits and ensure you are taking full advantage of those benefits. So if your employer offers matching contributions, now is a great time to double check that you're contributing enough to your 401(k) to take full advantage of this benefit. Matching contributions are essentially free money that can significantly boost your retirement savings over time.
- **Leverage new catch-up contribution limits.** One of the most significant updates for 2025 is the increased catch-up contributions for certain retirement accounts. For 401(k), 403(b), and SIMPLE IRA plans, individuals age 50 and older can contribute additional amounts beyond the standard annual limit. There's also now a supersized catch-up contribution limit if you're age 60 to 63.
- **Re-evaluate your investment portfolio.** Consider reviewing your portfolio regularly or consulting with a financial advisor to ensure it aligns with your retirement timeline and risk tolerance.
- **Explore Health Savings Accounts (HSA).** If you're enrolled in a high-deductible health plan, an HSA can be a valuable tool for retirement planning. Contributions are tax-deductible, growth is tax-free, and withdrawals for qualified medical expenses are also tax-free. After age 65, you can use HSA funds for non-medical expenses, though these withdrawals will also be taxed like regular income.
- **Consider opening an IRA.** Many employees maintain employer-provided plans without realizing they could also establish a traditional or Roth IRA. Use this time to review your situation and see if these additional accounts might benefit you or someone else in your family.
- **Automate your savings.** Consistency is key when it comes to retirement savings. Consider setting up automatic contributions to your retirement accounts to ensure you're consistently saving.

The best way to take advantage of increases in annual contribution limits is to start early in the year. Remember many tax beneficial retirement plans have annual limits. If you do not max out your annual opportunity, that year's unused limit is gone forever.

Creating a New Year Financial Review

Some great ideas to consider

Now's the perfect time to review your financial health and set yourself up for success in 2025.

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Creating a New Year Financial Review (Cont'd)

The following checklist can help you organize your goals, identify areas for improvement, and make informed decisions about your money.

- **Calculate your net worth.** Add up all your assets (savings, investments, property and other valuables). Then subtract your liabilities (what you owe others) from these assets to calculate your net worth. Then compare this figure to last year's net worth. This measurement can provide valuable insights into your financial progress. If your net worth has decreased, identify the contributing factors and create a plan to address them.
- **SMART your goals.** Establish your financial goals and then define them using the SMART process: specific, measurable, achievable, relevant, and time-bound. Whether your goal is saving for a home, planning a vacation, or paying off debt, break your goals into actionable steps with clear deadlines.
- **Identify hidden spending traps.** Review your spending habits. Compare your total income with your expenses to identify areas where you overspent. Look for patterns and consider categories where you can reduce costs in 2025. For example, small adjustments like dining out less frequently or finding more affordable subscription options can add up over time.
- **Build up or top off your emergency fund.** An adequately funded emergency account is crucial for your financial health. Assess your current emergency fund balance, aiming to save three to six months worth of expenses.
- **Give your insurance policies a check-up.** Review your existing policies, including health, life, home, auto, and disability insurance. Consider whether your coverage meets your current needs and then adjust limits or add coverage for any new circumstances. Common examples include starting a family or purchasing a home.
- **Set up quarterly money check-ins.** Schedule regular financial reviews throughout the year to evaluate your progress toward your goals and to address unexpected hurdles you encounter. These check-ins provide an opportunity to adjust your budget, update your goals, and celebrate milestones, such as paying off a credit card or reaching a savings target.
- **Invest in your education.** Invest in your financial knowledge. Read books, attend workshops, or follow reputable financial experts to stay informed about money management best practices. Knowledge is a powerful tool for achieving financial independence.
- **Look for tax-saving opportunities.** There are a number of ways to lower your taxable income and qualify for tax deductions and tax credits for any and all taxpayers!

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Creating a New Year Financial Review (Cont'd)

By taking these steps, you'll be well on your way to making 2025 a year of financial success. Remember, small, consistent actions can lead to significant progress over time.

As always, should you have any questions or concerns regarding your tax situation please feel free to call.

This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us.