

5 Questions to Ask Your CPA During Tax Season

Written by Ginny Grimsley
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Simple Strategy Changes May Boost Your Retirement Dollars, Says Financial Advisor

Many people talk to their accountant just once a year – right about now, says financial consultant Larry D. Roby.

“This is a good time to ask a few questions that may not have occurred to either you or your accountant simply because at tax time, you’re both focused on the task at hand and not the bigger picture,” says Roby, founder and president of Senior Financial Advisors, Inc., www.sfa-bridge.com

“But, if you don’t have a financial advisor, asking your accountant a few questions may help you spot places where you’re unnecessarily leaking retirement funds. Many of those leaks can be plugged with some simple changes.”

Roby tells the story of a woman he worked with at the financial counseling ministry where he volunteers. She was a widow on Social Security who also received an annual disbursement of \$35,000 from her retirement plan. She didn’t need the whole \$35,000, so she put a large chunk of it in CDs each year.

“She was getting hit with what I call ‘the tax torpedo,’ ” Roby says. “That \$35,000 from her fund caused the portion of her Social Security income being taxed to jump from zero to 85 percent.

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And she's also getting taxed on the whole \$35,000! Putting the extra money into CDs earning only about 1 percent interest, meant she was actually losing money."

The fix, he says, was easy.

The woman could pay no taxes on her Social Security benefits if the combined total of 1 – her adjusted gross income, 2 – nontaxable interest income and 3 – half the benefits, was less than \$25,000. If the amount was \$25,000 to \$34,000, she would likely be taxed on 50 percent of her benefits.

"By lowering her retirement fund disbursement to the amount she actually needs, she saw a substantial tax savings," Roby says.

Such oversights are surprisingly common and can be corrected when you have the right information. If you're planning for retirement or already retired, here are the questions Roby suggests you ask your accountant:

1. Do I have to pay taxes on my Social Security benefits?
2. Is there a way to reduce or eliminate those taxes?
3. Why am I paying taxes on money I'm not spending?
4. How long will my retirement funds last based on my current withdrawals?
5. Based on my tax records, will my spouse have sufficient income after my death?

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If your retirement picture is far more complicated, with a variety of taxable and non-taxable income streams, Roby says seeking the services of a financial advisor with a diversified perspective may be a worthwhile investment.

“I always recommend people to talk to an advisor who doesn’t specialize in just one area, like annuities,” Roby says. “If you’re a hammer, everything looks like a nail. Someone equipped with lots of tools can help you put together the best strategies for you.”

About Larry D. Roby

Larry D. Roby is the founder and president of Senior Financial Advisors, Inc. (www.sfabridge.com). He’s a Registered Financial Consultant, a professional designation awarded by the International Association of Registered Financial Consultants; a licensed insurance agent; a Master Certified Estate Planner; and licensed to serve as an investment advisor representative. He’s currently finishing a two-year Certified Advisor for Senior Living course. Roby is a firm believer in educating clients and the public alike so that they can make the most of the money they’ve earned, saved and invested. He and his firm volunteer time and resources to the Branches Recovery Center, a counseling ministry.