

Tips for Saving Taxes

Unbiased Financial Education Provided By Financial Finesse

Many of us feel that we're not doing all we can to save on taxes, or if we get a refund we spend it before we know it. Being aware of tax law changes and strategic ways to use your refund (or even *how* you receive your refund) will allow you to be in charge of more of your money. Look below to see if any of these tips apply to you.

1. **Do you qualify for the Retirement Savings Credit?** If you are contributing to your employer's retirement plan or your own IRA you may qualify for the Retirement Savings Credit. This credit gives qualified individuals a tax credit of between 10-50% of their contributions (not to exceed \$2,000 for joint filers, \$1,000 for single). According to the IRS, this credit applies to:
 - Individuals with incomes up to \$26,000 (\$39,000 for a head of household) and married couples filing jointly with incomes up to \$52,000
 - You must also be at least age 18, not a full-time student and you cannot be claimed as a dependent on another person's return. For more information, see *IRS Pub. 590, Individual Retirement Arrangements* and *Form 8880, Credit for Qualified Retirement Savings Contributions*.
2. **Use your refund to start an IRA.** Starting in 2007 you can have your tax refund deposited directly into your Individual Retirement Account. Previously you could only have it deposited into your checking or savings account
3. **Be wary of Refund Anticipation Loans.** This type of loan is an advance on what your projected tax refund will be. But be aware! This is a loan and not your refund, meaning it has to be paid back with interest. Because it is a short term loan (averaging 10 days) the annualized interest rate can actually climb to triple digits, up to 700%! If you file electronically, you may wait a couple days more but you won't "owe" any money and you will have your full refund to enjoy.

The financial counselors at First Sun EAP can offer you and your family guidance with planning, budgeting and other factors related to higher education decisions. We can talk with you over the phone or meet with you in person. Give us a call toll free, **800-968-8143** or in Greater Columbia, **803-376-2668**.

For more information on this topic as well as the other benefits you receive from First Sun EAP, please see our website at: www.firstsuneap.com.