Leslie Roper Day & Associates
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Dear friends,

Spring is here and that brings new beginnings for all of us. For Leslie Roper Day & Associates that means new office space! Watch for our formal announcement of our move to 950 Glenn Drive in Folsom and mark your calendars for our annual "Shred Party" on May 9th. You'll have a chance to securely get rid of any papers from your spring cleaning, check out our new space and enjoy some shredded Mexican food!

Don't forget to get those last minute 2014 IRA contributions to us before April 15th. If you need to know more (limits, previous contributions, who to make the check payable to, etc.), just give us a call at (916) 984-1150. Our phone number and great client service will be making the move with us!

Best wishes,

Leslie

Spring 2015

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Down-to-earth financial advice.

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Focus On Your Finances

The IRS Taxpayer Bill of Rights

The Taxpayer Advocate Service, an independent organization within the Internal Revenue Service (IRS), has argued strongly for the creation of a list of taxpayer rights as a way to promote confidence in the fairness and integrity of the tax system (Source: National Taxpayer Advocate, Fiscal Year 2015 Objectives Report to Congress). In response, the IRS announced the adoption of a formal "Taxpayer Bill of Rights." It's worth noting that the rights listed are not new; the Taxpayer Bill of Rights simply groups and summarizes rights that exist in the Internal Revenue Code, making them easier to find and understand. Here are the 10 items that make up the list, along with short explanations.

The right to be informed

The IRS must provide clear explanations in all forms, instructions, publications, notices, and correspondence. You have a right to be informed of IRS decisions relating to your account, and to receive a clear explanation of any outcome.

The right to quality service

You should expect prompt, courteous assistance when you deal with the IRS. All communications from the IRS should be clear and understandable. If you have a problem with the way you are being treated by an IRS employee, you can ask to speak to that employee's supervisor.

The right to pay no more than the correct amount of tax

You are expected to pay only the amount of tax that is legally due, as well as penalties and interest on unpaid amounts.

The right to challenge the IRS's position and be heard

When the IRS takes or proposes any formal action--for example, proposing a change to your tax return as the result of a mathematical error--you have the right to object and to provide additional documentation that supports your position. You should expect the IRS to consider your response promptly and fairly.

The right to appeal an IRS decision in an independent forum

You have the right to a fair and impartial administrative appeal of most IRS decisions, generally through an independent IRS Office of Appeals that is separate from the IRS office that initially reviewed your case. You also generally have the right to take your case to either the United States Tax Court or a U.S. District Court (or the U.S. Court of Federal Claims).

The right to finality

You have a right to know all statutory time limits that apply. This applies to limits on the amount of time that the IRS has to assess tax, to audit a specific tax year, or to collect a tax debt, as well as the amount of time you have available to challenge an IRS position or action, or file a claim for a refund.

The right to privacy

All IRS inquiries, examinations, and enforcement actions must comply with the law and must be no more intrusive than necessary. You have specific due-process rights that the IRS must respect, including search and seizure protections.

The right to confidentiality

The IRS may not disclose your information to third parties without your permission, unless otherwise authorized by law.

The right to representation

You have the right to retain an authorized representative such as an attorney, CPA, or enrolled agent to represent you in dealing with the IRS.

The right to a fair and just tax system

You have a right to expect the tax system to consider all relevant facts and circumstances. This applies in the determination of the correct amount of tax owed, as well as your ability to pay, and your ability to provide necessary information in a timely manner.

The Taxpayer Bill of Rights is included in IRS Publication 1, *Your Rights as a Taxpayer.*

Last-Minute Tax Tips

It's that time of year again--tax filing season. And while many taxpayers like to get a head start on filing their returns, there are those of us who always find ourselves scrambling at the last minute to get our tax returns filed on time. Fortunately, even for us procrastinators, there is still time to take advantage of some last-minute tax tips.

If you need more time, get an extension

Failing to file your federal tax return on time could result in a failure-to-file penalty. If you don't think you'll be able to file your tax return on time, you can file for and obtain an automatic six-month extension by using IRS Form 4868. You must file for an extension by the original due date for your return. Individuals whose due date is April 15 would then have until October 15 to file their returns.

In most cases, this six-month extension is an extension to file your tax return and not an extension to pay any federal income tax that is due. You should estimate and pay any federal income tax that is due by the original due date of the return without regard to the extension, since any taxes that are not paid by the regular due date will be subject to interest and possibly penalties.

Try to lower your tax bill

While most tax-saving strategies require action prior to the end of the tax year, it's still not too late to try to lower your tax bill by making deductible contributions to a traditional IRA and/or pre-tax contributions to an existing qualified Health Savings Account (HSA). If you're eligible, you can make contributions to these tax-saving vehicles at any time before your tax return becomes due, not including extensions (for most individuals, by April 15 of the year following the year for which contributions are being made).

For tax year 2014, you may be eligible to contribute up to $5,500 to a traditional IRA as long as you're under age 70½ and have earned income. In addition, if you're age 50 or older, you may be able to make an extra "catch-up" contribution of $1,000. You can make deductible contributions to a traditional IRA if neither you nor your spouse is covered by an employer retirement plan; however, if one of you is covered by an employer plan, eligibility to deduct contributions phases out at higher modified adjusted gross income limits. For existing qualified HSAs, you can contribute up to $3,300 for individual coverage or $6,550 for family coverage.

Use your tax refund wisely

It's easy to get excited at tax time when you find out you'll be getting a refund from the IRS--especially if it's a large sum of money. But instead of purchasing that 60-inch LCD television you've had your eye on, you may want to use your tax refund in a more practical way. Consider the following options:

- Deposit your refund into a tax-savings vehicle (if you're eligible), such as a retirement or education savings plan--the IRS even allows direct deposit of refunds into certain types of accounts, such as IRAs and Coverdell education savings accounts.
- Use your refund to pay down any existing debt you may have, especially if it is in the form of credit-card balances that carry high interest rates.
- Put your refund toward increasing your cash reserve--it's a good idea to always have at least three to six months worth of living expenses available in case of an emergency.

Finally, a tax refund is essentially an interest-free loan from you to the IRS. If you find that you always end up receiving a large income tax refund, it may be time to adjust your withholding.

Beware of possible tax scams

Though tax scams can occur throughout the year, they are especially prevalent during tax season. Some of the more common scams include:

- Identity thieves who use your identity to fraudulently file a tax return and claim a refund.
- Callers who claim they're from the IRS insisting that you owe money to the IRS or that you're entitled to a large refund.
- Unsolicited e-mails or fake websites, often referred to as "phishing," that pose as legitimate IRS sites to convince you to disclose personal or financial information.
- Scam artists who pose as tax preparers and promise unreasonably large or inflated refunds in order to commit refund fraud or identity theft.

The IRS will never call you about taxes owed without sending you a bill in the mail. If you think you may owe taxes, contact the IRS directly at www.irs.gov. In addition, the IRS will never initiate contact with you by e-mail to request personal or financial information. If you believe that you've been the victim of a tax scam, or would like to report a tax scammer, contact the Treasury Inspector General for Tax Administration at www.treasury.gov/tigta.

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10 Financial Terms Everyone Should Know

Understanding financial matters can be difficult if you don't understand the jargon. Becoming familiar with these 10 financial terms may help make things clearer.

1. Time value of money

The time value of money is the concept that money on hand today is worth more than the same amount of money in the future, because the money you have today could be invested to earn interest and increase in value.

Why is it important? Understanding that money today is worth more than the same amount in the future can help you evaluate investments that offer different potential rates of return.

2. Inflation

Inflation reflects any overall upward movement in the price of consumer goods and services and is usually associated with the loss of purchasing power over time.

Why is it important? Because inflation generally pushes the cost of goods and services higher, any estimate of how much you'll need in the future--for example, how much you'll need to save for retirement--should take into account the potential impact of inflation.

3. Volatility

Volatility is a measure of the rate at which the price of a security moves up and down. If the price of a security historically changes rapidly over a short period of time, its volatility is high. Conversely, if the price rarely changes, its volatility is low.

Why is it important? Understanding volatility can help you evaluate whether a particular investment is suited to your investing style and risk tolerance.

4. Asset allocation

Asset allocation means spreading investments over a variety of asset categories, such as equities, cash, bonds, etc.

Why is it important? How you allocate your assets depends on a number of factors, including your risk tolerance and your desired return. Diversifying your investments among a variety of asset classes can help you manage volatility and investment risk. Asset allocation and diversification do not guarantee a profit or protect against investment loss.

5. Net worth

Net worth is what your total holdings are worth after subtracting all of your financial obligations.

Why is it important? Your net worth may fund most of your retirement years. So the faster and higher your net worth grows, the more it may help you in retirement. For retirees, a typical goal is to preserve net worth to last through the retirement years.

6. Five C's of credit

These are character, capacity, capital, collateral, and conditions. They're the primary elements lenders evaluate to determine whether to make you a loan.

Why is it important? With a better understanding of how your banker is going to view and assess your creditworthiness, you will be better prepared to qualify for the loan you want and obtain a better interest rate.

7. Sustainable withdrawal rate

Sustainable withdrawal rate is the maximum percentage that you can withdraw from an investment portfolio each year to provide income that will last, with reasonable certainty, as long as you need it.

Why is it important? Your retirement lifestyle will depend not only on your assets and investment choices, but also on how quickly you draw down your retirement portfolio.

8. Tax deferral

Tax deferral refers to the opportunity to defer current taxes until sometime in the future.

Why is it important? Contributions and any earnings produced in tax-deferred vehicles like 401(k)s and IRAs are not taxed until withdrawn. This allows those earnings to compound, further adding to potential investment growth.

9. Risk/return trade-off

This concept holds that you must be willing to accept greater risk in order to achieve a higher potential return.

Why is it important? When considering your investments, the goal is to get the greatest return for the level of risk you're willing to take, or to minimize the risk involved in trying for a given return. All investing involves risk, including the loss of principal, and there can be no assurance that any investing strategy will be successful.

10. The Fed

The Federal Reserve, or "the Fed" as it's commonly called for short, is the central bank of the United States.

Why is it important? The Fed has three main objectives: maximum employment, stable prices, and moderate long-term interest rates. The Fed sets U.S. monetary policy to further these objectives, and over the years its duties have expanded to include maintaining the stability of the entire U.S. financial system.

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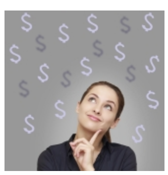
How much can I contribute to my IRA in 2015?

The combined amount you can contribute to your traditional and Roth IRAs remains at $5,500 for 2015, or $6,500 if you'll be 50 or older by the end of the year. You can contribute to an IRA in addition to an employer-sponsored retirement plan like a 401(k). But if you (or your spouse) participate in an employer-sponsored plan, the amount of traditional IRA contributions you can deduct may be reduced or eliminated (phased out), depending on your modified adjusted gross income (MAGI). Your ability to make annual Roth contributions may also be phased out, depending on your MAGI. These income limits (phaseout ranges) have increased for 2015:

Income phaseout range for deductibility of traditional IRA contributions in 2015	
1. Covered by an employer-sponsored plan and filing as:	
Single/Head of household	$61,000 - $71,000
Married filing jointly	$98,000 - $118,000
Married filing separately	$0 - $10,000
2. Not covered by an employer-sponsored retirement plan, but filing joint return with a spouse who is covered by a plan	$183,000 - $193,000

Income phaseout range for ability to contribute to a Roth IRA in 2015	
Single/Head of household	$116,000 - $131,000
Married filing jointly	$183,000 - $193,000
Married filing separately	$0 - $10,000



Do I have to pay an additional tax on investment income?

You might, depending on a few important factors.

A 3.8% net investment income tax is imposed on the unearned income of high-income individuals. The tax is applied to an amount equal to the lesser of:

- Your net investment income
- The amount of your modified adjusted gross income (basically, your adjusted gross income increased by an amount associated with any foreign earned income exclusion) that exceeds $200,000 ($250,000 if married filing a joint federal income tax return, and $125,000 if married filing a separate return)

So if you're single and have a MAGI of $250,000, consisting of $150,000 in earned income and $100,000 in net investment income, the 3.8% tax will only apply to $50,000 of your investment income.

The 3.8% tax also applies to estates and trusts. The tax is imposed on the lesser of undistributed net investment income or the excess of MAGI that exceeds the top income tax bracket threshold for estates and trusts ($12,150 in 2014). This relatively low tax threshold potentially could affect estates and trusts with undistributed income. Consult a tax professional.

What is net investment income?

Net investment income generally includes all net income (income less any allowable associated deductions) from interest, dividends, capital gains, annuities, royalties, and rents. It also includes income from any business that's considered a passive activity, or any business that trades financial instruments or commodities.

Net investment income does not include interest on tax-exempt bonds, or any gain from the sale of a principal residence that is excluded from income. Distributions you take from a qualified retirement plan, IRA, 457(b) deferred compensation plan, or 403(b) retirement plan are also not included in the definition of net investment income.

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