

Financial Tips You Can Use

A Quarter Saved Is a Quarter Earned---Tips from Other Savers

*When paychecks are direct deposited into a checking account, human nature takes over and we usually spend first and save last, resulting in little or no money going towards savings at the end of the month. Instead, direct deposit your paycheck into your savings account. Then once per month, transfer a set amount from savings into checking to take care of your budgeted expenses. If you transfer less than what came in, you're going to be saving the easy way.

*I am learning to use cash again and saving more than ever. After developing a monthly spending plan (a.k.a. budget) I decide how much cash I will need for gas, groceries, entertainment, etc. I cash one check per pay period for a set amount to be divided and placed in the appropriate envelope. I only use cash when making purchases and avoid impulse buying that is not budgeted. I have reduced ATM fees and find it easier to keep money in the bank saved for a "rainy day."

*Take the amount that is saved by using coupons and the in-store savings that is printed on the cash register receipt each week and put that amount of money into a savings account.

*I have rid my closet of dry clean clothing. It has taken a few years, seasons to weed things out and not buy "dry clean only." It saves time and money not to go to the dry cleaners.

*My kids have several battery operated toys. Every six months, I change the batteries in my smoke detectors. The batteries still have a charge, so I put them in a bag labeled "Kids Toys Only." I use them for battery operated toys or other non-emergency uses.



Spring 2021



Tips to Help Taxpayers Spot and Avoid Tax Scams

Tax season is also a busy season for savvy criminals. Scammers impersonating the IRS either over the phone, by email or in person can steal money from people. All taxpayers should stay vigilant against these schemes. Here are some tips to help people recognize and avoid tax-related scams.

Email phishing scams. The IRS does not initiate contact with taxpayers to request personal or financial information. Generally, the IRS first mails a paper bill to a person who owes taxes. In some special situations, the IRS will call or come to a home or business.

Taxpayers should report IRS, Treasury or tax-related suspicious online or email phishing scams to phishing@irs.gov they should not open any attachments, click on any links, reply to the sender, or take any other actions that could put them at risk.

Phone scams. The IRS generally first mails a bill to a taxpayer who owes taxes. There are specific ways to pay taxes. The agency and its authorized private collection agencies will not:

- *Leave pre-recorded, urgent or threatening messages on an answering system.
- *Threaten to immediately bring in local police, or other law enforcement groups to arrest the taxpayer for not paying, report them or revoke their licenses.
- *Call to demand immediate payment with a prepaid debt card, gift card or wire transfer.
- *Ask for checks to third parties.
- *Demand payment without giving the taxpayer an opportunity to question or appeal the amount owed.

Criminals can fake or spoof caller ID numbers to appear to be anywhere in the country. Scammers can even spoof an IRS office phone number or the numbers of various local, state, federal or tribal government agencies.

If a taxpayer receives an IRS or Treasury-related phone call, but doesn't owe taxes and has no reason to think they do, they should:

- *Do not give out any information. Hang up immediately.
- *Contact the Treasury Inspector General for Tax Administration to report the IRS impersonation scam call.
- *Report the caller ID and call back number to the IRS by sending it to phishing@irs.gov. The subject line should include "IRS Phone Scam."
- *Report the call to the Federal Trade Commission.

If a taxpayer wants to verify what taxes they owe the IRS, they should:

- *View tax account information online at IRS.gov.
- *Review their payment options.

Source: IRS Tax Tips, March, 2021



How Should I Spend My Money?

Here are four smart uses for your money:

Pay OFF bills—first priority are regular monthly bills (utilities, phone, etc.) and then those with the highest interest rate. If you owe \$2,000 on a credit card (18% interest) and pay \$50 a month, it will take 5 years to pay it off and you'll pay \$1,077 in interest. Will you even still have the items that you charged 5 years from now?

If you use your tax refund to pay off \$1,000 and continue to pay \$50 a month, the bill will be paid in 2 years and you'll save \$879 in interest.

1. Save for needs in the coming year—

*Emergency Funds—Try to save enough money to get you through a couple of months if you had unexpected car repairs or medical expenses, or lost your job.

*Occasional Expenses---Avoid big bills like holiday spending by building up savings now.

2. *Long-term Savings---Your tax refund can help you plan for future goals like a home or a comfortable retirement. Adding \$500 a year into an IRA retirement account can yield \$68,100 after 30 years. If you add \$25 to the yearly \$500 contribution you could have \$113,800 for a retirement nest egg. You may save even more in taxes by contributing to a tax deferred IRA or a Roth-IRA that is tax-free when you retire.
3. Special Purchases---Ask yourself do I, NEED or WANT that new refrigerator, TV or sofa? These may be essential or can be delayed until you save for that specific item.

Your best bet: Put some of your tax refund toward financial security by paying off debt, planning for the year ahead and setting money aside for your goals.

Getting Ready to File Taxes

Here's a list of documents you need to ensure your file taxes accurately. You can file for free at a [VITA site](#) or online at [MyFreeTaxes](#). You can also file your taxes with a paid preparer. IF filing at a VITA site or pair preparer, check before your appointment if there are other documents you need to bring.

- **Photo ID**
- **Social Security Cards, Social Security Number verification letters, or Individual Taxpayer Identification Number assignment letters** for you, your spouse, and any dependents
- **Birthdates** for you, your spouse, and dependents on the tax return
- **Bank account and routing number** or a voided check for direct deposit of your refund
- **2019 tax return** (if you have it) for this year's '[lookback rule](#),' which states that if you earned less in 2020, you can use either your 2019 or 2020 income on your taxes—whichever one gets you the most money back.

Income

Bring all documents that apply.

Employment Income

- **W-2 form(s)** for all jobs last year (your employer(s) will have sent you this by January 31st)

Self-Employment Income

- **1099-NEC and/or 1099-K**
- Records of income not reported on 1099 forms
- **Records of expenses** including receipts, credit statements, etc.
- **Record of estimated tax payments**

Retirement Income

- **SSA-1099 form** for Social Security benefits
- **1099-R** for pension/IRA/annuity income

Unemployment Income

- **1099-G** for unemployment benefits



Other sources of income

- **1099-G** for a refund of state/local income taxes
- **1098-T** for scholarships/fellowships
- **1099-R** for disability income
- **Income or loss from the sale of stocks, bonds, or real estate**
- **Income or loss from rental property**
- **Alimony** received
- **Statements for prizes or lottery/gambling winnings**
- Interest and dividend statements from banks
- Records for any other income

Expenses

You may be able to claim tax deductions for some of the expenses you have. These deductions reduce the income you are taxed on. Bring documentation for all of the following expenses you have.

- **Retirement contributions**, including a 401(k) or IRA
- **State and local taxes** you've paid
- **Mortgage statements and property tax bills** if you are a homeowner
- **College tuition (1098-T) and student loan statements (Form 1098-E)**
- **Childcare expenses**, including provider's address and federal tax ID number
- **Receipts for charitable donations**
- **Medical and dental bills**
- **Records for supplies used as an educator**

Other Tax Documents or Notices

- **IRS Notice 1444 and or 1444-B** for your Economic Impact Payments (also known as stimulus checks)
- **Form 1095-A** if you had coverage through the Health Insurance Marketplace
- Documents from the IRS, Health Insurance Marketplace, your state tax agency, or anything that says "IMPORTANT TAX DOCUMENT."

Smart Ways to Spend Your Tax Refund

A tax refund can have a tangible impact on your personal and financial well-being. Before you spend that hard-earned money on a new sofa or vacation, look at these suggestions.

Plan ahead. Without a plan, you may use the money on the first thing that comes to mind and later realize something else was more important.

Identify all the possibilities. Think big and involve your family in the process.

Devote a portion to build long-term financial security. DON'T throw away part of your refund on loan fees---"Quick Refund" companies are just giving you a high-cost loan! A little patience can save you big bucks!

*Smart ways to
spend your*
TAX REFUND



Six Simple Savings Strategies

I don't know about you, but when I research savings, I find information on everything we should be doing: setting goals, budgeting, putting our savings on auto, cutting back on spending, clipping coupons. Knowing what we should do and doing them are two different things. So, which strategies will help us save? Here are six simple ideas for saving.

1. That's How Many Hours?

Every time you buy something, ask yourself: "Is it worth it the hourly rate?" To calculate this rate, divide your take-home pay by the hours worked in that pay period. If your household has multiple incomes, use the lowest paying one. You want this to be easy math, so if you come up with \$9.76, round up to \$10.

Then when you're spending money, use this trick to consider if it is worth the hourly rate you calculated. For instance: A \$60 dinner would be 6 hours of work if you had calculated a rate of \$10 an hour. Is just one dinner worth 6 hours of work?

2. List It

Suitable for debt reduction. Take all your debts and list them. Please post it on a wall or fridge, and every month, change the totals with a red marker, whatever works for you). It's a constant reminder of your progress.

3. A Picture's Worth a Thousand Words

Many people find keeping a picture of their savings goal in their wallet or on a wall works well as a motivational tool. If you keep it right on top of your credit/debit

card, you will have to see it every time you pull your card out.

4. Get Artsy

Outline your goal, say the floor plan of a house, and divide it into sections. Every time you save a certain amount, whether it's \$50 or \$500, color in an area, or add flooring, paint, and furniture, you have reached your goal when the picture is complete.

5. The Heavy Hammer

For those times when you know you're about to make a choice you really shouldn't make. It can take many forms. For me, it's about family history. I think about my grandfather, who was born the poor most of us thankfully will never comprehend. At 13, he bought a rifle with money he earned, selling seeds to hunt to feed his 11 younger siblings. At 15, he left home, worked his way across the country, breaking horses, and finally joined the Marine Corps. He spent well over 20 years in the military, fought in two wars, and sacrificed so his wife and children would have a better life. My parents, in turn, started better than he did. But they struggled and worked hard to provide a decent life and a paid-for college education, so we could have a better life than they did. I, in turn, use this to consider what's more important, the kids' college fund or a bigger house/apartment?

6. Stark (Brutal) Choices - Either/or, but not both

Phrase it appropriately, and the choice will be clear.

"I can either have a bigger house or a college fund."

"...cable or a data plan."

"...data plan or an emergency fund?"

"...cable or eat out on the weekends."

"...fun money or a new computer."

You get the idea.



Meadowlark District

K-State Research and Extension is an equal opportunity provider

Cindy Williams
300 Jefferson, P.O. Box
326 Oskaloosa, KS
66066-0326
785-863-2212
csw@ksu.edu