

SENIORS AND TAXES

How to Avoid Overpaying the IRS

Local 4's Jeff Vaughn spoke recently with Dan Krug, Principal with Daniel Krug & Associates, an asset preservation consulting firm, about how seniors can reduce the amount of tax they owe the IRS. Following is a recap of the interview:

Even though tax day has come and gone, now is a good time for seniors to review their 1040 forms as a first step to identifying ways to reduce the amount of tax owed.

"The IRS requires that seniors pay a minimum tax, not the maximum amount of tax," says Dan Krug. "By simply following federal guidelines, seniors oftentimes can reduce, or even eliminate, the amount of tax they pay on Social Security income."

According to Krug, the first step is to review the 1040 form and look for interest income, capital gains and dividends. If income from these three sources is not being used for living expenses, it is likely adding to a retiree's Social Security tax. What can a retiree do? The key is to defer income using specific financial tools for retirees (Treasury notes, bonds, annuities, etc.).

Krug notes that it is important to seek professional guidance to ensure strategies are appropriate for the individual. Also important is a consideration of the overall financial situation, i.e. tax implications on investment returns. ■



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