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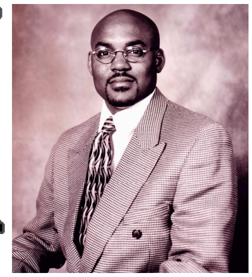
MARCH 2000

WRIGHT TOTAL TAX

Innovating Financial Techniques for the New Millennium



Making Your Money Work For You, Part III

Thank you to everyone who told me they appreciate and enjoy this newsletter. I hope that each person who receives it feels the same. Its purpose is to inform, educate and motivate all who receive it. I truly believe that with the right information, guidance and encouragement, everyone can be financially secure.

All of you who know me, know that I preach eliminate debt, save for emergencies, and invest, invest, invest! I have found that procrastination is the biggest reason people don't invest. There are only three factors that determine the total accumulation of the money you invest. They are time, interest and amount. If any of these three factors is decreased (i.e. time), your end result will be significantly decreased also. It is prudent to invest at least a small amount while simultaneously decreasing your debt to ensure that you do not miss out on the growth of your contributions. Listed are a few tips, techniques and actions for you to begin your financial program and work toward achieving your financial dreams.

1. You ***CAN*** Do It!
Most people have what it takes to handle their own investing and personal finances. What does it take? Discipline, a long term horizon, common sense, desire to take control, willingness to learn, and a little bit of delayed gratification.

2. Do It Now
This isn't just to discourage procrastination, but because an early start can make all the difference. In general for every six years you fail to invest, the required monthly contribution to reach the same level of retirement income doubles. This is where the time factor of money kicks in. To put it plainly, if you contributed some amount each month for the next nine years, and then nothing afterwards you would accumulate the same if you had invested nothing for the first nine years, then contributed the same amount each month for the next **41** years! Use the time factor of money for your benefit!

3. Know Thyself
The right course of action depends on your current situation, your future goals, and your personality. If you don't take a close look at these, and make them explicit, you might be headed in the wrong direction. A self analysis or one done by a financial advisor will assist you in determining very critical factors for developing your financial program.

Current Situation:
How healthy are you, financially? What's your net worth right now? What's your monthly income? What are your expenses (and where could they be reduced)? How much debt are you carrying? At what rate of interest? How much are you saving? Are you investing? What are your returns? What are your expenses?

Goals:
What are your financial goals? How much will you need to achieve them? Are you on the right track?

Personality:
Different portfolios are right for different personality types. Your investment counselor will help you determine your investing personality.

Risk Tolerance:
How much risk are you willing and able to accept in pursuit of your objectives? The appropriate level of risk is determined by your personality, age, job security, health, net worth, amount of cash you have to cover emergencies, and the length of your investing horizon.

4. Get Your Financial House In Order
Even though investing may be more fun than personal finance, it makes more sense to get started on them in the reverse order. If you don't know where the money goes each month, you shouldn't be thinking about investing yet. Tracking your spending habits is the first step toward improving them. If you've transitioned from a debt situation to a paycheck-to-paycheck situation to a saving some money every month situation, you're ready to begin investing what you save.

Social Security Benefits

If you are age 65 to 69 and drawing social security, you'll be happy to know that Uncle Sam has raised the amount of wages you can earn before your benefits are affected. Starting in 1999 you can earn up to $15,500 in wages. Social Security Benefits are reduced by $1 for every $3 of wages you earn through employment in excess of these limits. Non-wage incomes, such as earnings from investments or pensions are not counted in these limitations. If you are under 65 and receiving benefits, you lose $1 for every $2 you earn. These limits disappear at age 70.

Inside this issue:

Upcoming "Understanding Mutual Funds" Seminar!

More North Carolina Taxpayers Filing Electronically

More North Carolina taxpayers are turning to a faster, more efficient alternative for filing their state and federal income taxes -- electronic filing.

In the seven years North Carolina has participated in the Federal/State Electronic Filing Program, the state has consistently ranked at or near the top nationally in the number of individual income tax returns that are filed electronically.

By filing electronically, taxpayers can receive their refunds faster, often as soon as three weeks after filing. Those who don't expect to get a refund can complete their paperwork early and file electronically before the April 15th deadline.

In addition to getting their refunds faster, taxpayers who file electronically will have their returns checked for accuracy by computer before they are filed. Under the joint Federal/State Electronic Filing Program, taxpayers must file both their federal and state income tax returns at the same time. To file returns electronically, taxpayers may see an authorized electronic tax preparer or purchase on-line filing software to file from their home personal computer if it is equipped with a modem.

Making Your Money Work For You, Part III (cont)

5. Develop A Long Term Plan

Now that you know your current situation, goals, and personality, you should have a pretty good idea of what your long term plan should be. It should detail where the money will go: cars, houses, college, retirement. It should also detail where the money will come from. Hopefully the numbers will be about the same. Don't try to time the market. Get in and stay in. We don't know what direction the next 10% move will be, but we do know what direction the next 100% move will be.

Review your plan periodically, and whenever your needs or circumstances change. If you are not confident that your plan makes sense, talk to an investment advisor.

6. Get Help If You Need It

The do-it-yourself approach isn't for everyone. If you try it and it's not working, or you're afraid to try it at all, or you just don't have the time or desire, there's nothing wrong with seeking professional assistance. Just remember that you have to pay for it.

Overall, the importance of developing and implementing a financial program cannot be denied. It is critical to perform the tedious and unpleasant tasks to attain financial freedom. And I believe that you and I both agree that it is well worth it. If you feel that it isn't important or you don't make the time to do it, it will definitely show in the future. And who among us doesn't want to achieve his or her financial dreams?

REMEMBER:

PLEASING METHODS
OR
PLEASING
RESULTS!

Do You Have A Spending Plan?

Many times people acquire debt because they don't have a defined spending plan that details their income and expenses. So while they feel they have enough money to pay for that new car (or Jordan's or Tommy Gear; feel free to insert here whatever is your personal vice), they find that all of a sudden, their credit payments are outrageous!

One of the best ways to save money is to allocate it wisely and track its release. With a wise spending plan (or a budget, as it is more commonly called) to guide you in spending your resources, you can plug money leaks and take steps to reduce debt. It's also easier to save money for wise purchases and just plain fun times with family and friends.

Your spending plan is simply a helpful tool in financial planning and financial planning is nothing more than optimizing your money in the way that is most beneficial for you and your family.

Some people view a spending plan as a whip-cracking slave driver that pushes them in ways they don't want to go. It's true that developing and living by a spending plan is not as much fun initially as spending money any way you want to. However, over time a good plan can give you much greater financial opportunities. Although everyone's financial situation is different, a spending plan offers advantages to everyone:

It reveals how you (and your spouse) spend money so you can accurately reduce or eliminate unnecessary spending.

It helps you use your current and estimated income more effectively.

Start Where You Stand

It gives you accurate information so you can make wise choices, meet needs, satisfy wants, and attain desired goals.

It can help you prepare for uncertain economic times, since you will know where you stand financially and will be prepared to make adjustments when life throws curves at you.

It helps you measure your progress in saving money and reducing unnecessary spending.

It may improve your standard of living.

It gives you a base from which to discuss fun ideas and financial goals with your family.

It can lead to your having more money available for investments and charitable giving.

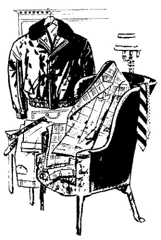
It is a key element in reducing debt--or eliminating it altogether.

It can give you the options to buy items you *want* as well as those you *need*.

It motivates others around you, including family members, to participate in the saving process.

It Pays to be Generous!

Uncle Sam has his flaws but at least he gives a break to taxpayers when it comes to charitable contributions. There are two different areas of charitable contributions that you may be able to deduct: cash and non cash contributions. When making charitable contributions to qualified organizations, a deduction is generally available for taxpayers who itemize deductions, provided, the total deduction does not exceed half of a taxpayer's AGI. Excess deductions may be carried forward for a period of five years. You can deduct your contributions only if you make them to a *qualified organization.* You can ask any organization whether it is a qualified organization, and most will be able to tell you. Or you can check IRS Publication 78 which lists most qualified organizations.



Types of Qualified Organizations

Generally, only the six following types of organizations can be qualified organizations.

1. The United States, a U.S. Possession, a state, city, or town, or Indian tribal government;

2. A community chest, corporation, trust, fund, or foundation organized or created in or under the laws of the United States, any state, the District of Columbia, or any possession of the United States (including Puerto Rico). It must be organized and operated only for the following purposes: Religious, Charitable Educational, Scientific, Literary purposes, or for the prevention of cruelty to children or animals; Certain organizations that foster national or international amateur sports competition also qualify;

3. Domestic non-profit veterans' organizations or auxiliary units;

4. A domestic fraternal group operating under the lodge system;

5. Nonprofit cemetery and burial companies (your contribution must benefit the whole cemetery, not your burial plot);

6. Legal services corporations organized under the Legal Service Corporation Act.

Qualified organizations include:

- Churches, a convention or association of churches, temples, synagogues, mosques, and other religious organizations,
- Most nonprofit charitable organizations such as the Red Cross and the United Way,
- Most nonprofit educational organizations, including the Girl (and Boy) Scouts of America, colleges, museums, and day-care centers if substantially all the child care provided is to enable individuals (the parents) to be gainfully employed and the services are available to the general public. However, if your contribution is a substitute for tuition or other enrollment fee, it is not deductible as a charitable contribution.

When it comes to preparing tax returns, one of the toughest jobs people have is figuring out how much they can deduct for charitable donations of property. While a car, leather jacket or piece of jewelry might seem very valuable to its owner, the IRS might not agree.

Under federal tax laws, you can deduct only the fair market value of the property you donate. The IRS defines fair market value as "the price that property would sell for on the open market." What makes charitable donations complicated is the fact that every piece of property has a unique value. For example, two identical cars five or 10 years ago might have vastly different values today; one might be in great condition while the other is barely in running condition.

Although there is no single formula to determine the value of property, the IRS Publication 561 "Determining the Value of Donated Property" has guidelines to follow. Property valued over $500 requires Form 8283 to be filled out and submitted with the tax return. This form lists all the donations, their purchase price, when they were acquired and how the fair market value was determined.

Contributions you cannot deduct at all include: contributions made to specific individuals, political organizations and candidates, the value of your time or services and the cost of raffles, bingo, or other games of chance. You cannot deduct contributions that you give to qualified organizations if, as a result, you receive or expect to receive a financial, or economic benefit equal to the contribution.

Charitable organizations must provide donors with written acknowledgment of all donations valued at $250 or more. Donors are responsible for requesting this substantiation from the charity. In addition, charities must disclose the value of any items provided when a donation of more than $75 includes some benefit (e.g., a fund-raising dinner or entertainment). The value of the goods or services received is not tax-deductible.

Ask Mr. Wright

Q. I hear a lot about the Earned Income Credit. What is it and can I get it?

A. The Earned Income Credit (or EIC as it is commonly known) is a refundable tax credit that is intended to assist the working poor by subsidizing their tax credits. Generally, single parents who make very low incomes are eligible for the EIC. If you qualify for the EIC, you can receive up to $3,556 back from Uncle Sam.

However, because it often provides a substantial refund, the EIC is very prone to fraud. The IRS is highly aware of this and has implemented measures to decrease fraud and punish violators appropriately. The IRS has recently announced that it will step up its efforts to investigate tax cheating which involves the working poor while reducing its efforts against high income individuals and businesses. Although the IRS will continue to give its highest priority to auditing the 1,600 largest corporations in the country, it will sharply reduce audits of other businesses in order to concentrate on abuses of the EIC.

With this change in focus, taxpayers have to insure that they legitimately qualify for the EIC. If you have any questions about your eligibility or know someone who has questions, feel free to call.

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GET YOUR TAXES DONE THE <u>WRIGHT</u> WAY!

February 2000

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Don't forget the Understanding Mutual Funds Seminar!!

Still Haven't Done Your Taxes?

If you are one of the millions of taxpayers who has yet to file your tax return for 1999, don't worry! Even the least organized of us can still gather the required information to file an accurate tax return. If you can't find the original documents that were mailed to you, you can often call the agency from whom you received the documentation and get the information directly.

It may be a bit more difficult to obtain a duplicate W-2, however. This undertaking usually involves contacting the payroll department of the employer. From that point, when you get your W-2 is a good question! Remember that without the W-2, filing is more difficult and oftentimes impossible. One way to make it easier if you do not have an original W-2, is to get your taxes prepared at the same place you had them done last year as they know you and have previous records.

Remember --You can always come to Wright Total Tax and get your taxes done the WRIGHT way!

Understanding Mutual Funds Seminar

Although the weather put a damper on the Understanding Taxes Seminar, we are still going on! We have received requests for an encore of the Understanding Mutual Funds seminar. It is scheduled for Tuesday, February 22 at 7:00 PM. Everyone is invited. Ask a few of your friends to join you when you come. It will be located at 1305 Hope Mills Road.

It is an excellent seminar that answers many commonly asked questions.

We look forward to seeing you there!

Does this sound familiar?…

"Retirement is still a long way off. There's plenty of time to save for it."

"We have too many expenses right now to put anything aside."

"I'll get around to saving ... sooner or later."

Procrastinating about starting a retirement savings program is easy. But it can also be very costly (remember that time factor of money?) Experts estimate you may need to save $500,000 in addition to what Social Security and your current savings provide to live in retirement as well as you do now. If you would like assistance in determining your retirement needs, call Wright Total Tax for a free retirement needs assessment.

<u>THOUGHT OF THE DAY</u>

The poor do not need charity. They need inspiration.