

Making the Most of Your Money

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By Susan Carr-Templeton /

Tax Savings 2011



As the year draws to a close, now is a great time to take some action to save money on taxes. Below, I outline a few options for lowering your tax bill.

Charitable Giving

You can either donate cash or goods to the nonprofit of your choice. Perhaps you have electronics or clothing you no longer use. If you choose to give items worth at least \$250, make sure you obtain a receipt from the charitable organization, which includes a description of the goods and their conditions, as well as the location where you dropped them off.

If you are retired, will be at least 70 by the end of the year and have an Individual Retirement Account (IRA), you may want to consider making a philanthropic contribution using some of those funds. While such a withdrawal is tax-free and cannot count toward charitable deductions, it can count toward your required minimum distribution if you have a traditional IRA. The term for such a donation is a qualified charitable distribution.

Another option for a charitable donation is to give cash from sales of stock. If you find you have shares that have lost value this year, you may want to sell them, record the loss for your taxes, and donate the sale proceeds to a charity of your choice. Make sure to sell them and not donate them directly, so you can claim the capital loss from the decline in value.

Investments

On a related note, if you have a taxable investment account, you may find now is a good time to sell stocks that have lost value. This allows you to reconcile any losses against capital gains from earlier in the year. In addition, you may deduct up to \$3,000 (or \$1,500 if married filing separately) in losses against other forms of income, such as alimony, bonus payments, salary or other sources.

College Tuition

If you have college tuition payments coming up in the first quarter of 2012, now may be a great time to pay them. Such payments can count toward Lifetime Learning credits or the American Opportunity credit, if you qualify. If you are not able to claim those credits, you may qualify to deduct another \$2,000 to \$4,000 spent toward tuition.

Tagged as: finance, taxes, tax credit and philanthropy

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Susan Carr-Templeton is an Oak Brook-based financial planner and wealth manager with more than 20 years of investing experience. With a fee-based model, she also works with clients in DuPage and Hinsdale, Illinois. In addition to managing Stafford Wells Advisors, Ms. Carr-Templeton volunteers on the investment committee for the Advocate Foundation. She offers personal finance on investing, saving, retirement and more in “Making the Most of Your Money.” Learn more about Ms. Carr-Templeton at