

DO YOU NEED A TAX PREPARER OR A TAX PLANNER?

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April 15th has come and gone and you have that nagging feeling that you missed out on some tax moves last year that could have saved you a bundle. Should you find a good tax planner or stick with your same tax preparer? What's the difference?

While it's too late for 2004, its not too early to start your tax strategy for 2005. Insanity has been defined as doing what you have always done and expecting different results. If you have been dumping everything into a box after year end and lugging it to a tax preparer, then all your tax preparer can do is the simple math to arrive at what you owe or what will be refunded. In essence, you are using your tax preparer as a scorekeeper, not as an advisor.

A skillful tax planner can add tremendous value when you have income from sources other than a regular paycheck, such as investments, self-employment, stock options, rental income, or business interests. Good tax planning is also crucial if you have experienced a major event such as a divorce, the birth of a child, or a death in your family. All of these situations have important financial and tax consequences that must be properly handled.

A good tax advisor is one whose expertise and experience best matches your needs. If you are retired

"I am proud to pay taxes in the United States...The only thing is ... I could be just as proud for half the money."

Arthur Godfrey

or nearing retirement, find an advisor who specializes in the new area of retirement distribution planning. Other considerations - how accessible will the advisor be for you? What are the advisor's credentials, education and experience? Your tax planner must be able to think creatively, within legal bounds, and provide you with an action plan to implement your strategy.

A good tax planner looks at what can be done not only for this tax year but also for several tax years down the road. If you need to change an existing plan within the current tax year, a knowledgeable planner will point that out. Tax planning is an ongoing process – not an annual

event. A competent advisor will ask the right questions at the right times to help you identify how to pay no more than what the law requires.

So, look for a smart, progressive tax consultant to assist you in developing and implementing a plan. But remember – good tax planning is never done in a vacuum. A skillful tax planner considers the client’s whole financial life, not just one aspect or the current year. What may look like a good tax reduction strategy might produce undesirable consequences for your investments or estate planning. Thus good communication among your financial team – your tax planner, your financial advisor, and your estate attorney - is absolutely essential.

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