

RAYMOND JAMES PRESENTS

# WORTHWHILE

Spring 2015

A publication of thoughtful insight dedicated to the life well planned.

## Discover

who you were meant to be  
in retirement

p16



RAYMOND JAMES®



Many working Americans expect a refund come tax day, but this year, some of us may get an unexpected bill instead. So what happens if you fall into that camp?

First, stay calm. Secondly, think strategically about how to pay what you owe, particularly if your money is invested, earmarked for retirement or stashed away in an emergency fund. Lastly, put plans in place to include more tax-saving strategies into your financial plan. Doing so can help avoid this situation next year.

If you do find yourself obliged to pay, perhaps you can rely on one of these options to help you settle up with the IRS and keep your financial plan undisturbed and on track.

**Make sure it's not a mistake.** Review your return with your accountant to make sure you've included every exemption and credit for which you qualify.

**Consider taking out a low-interest-rate loan.** If you really do owe Uncle Sam a large chunk of change, a securities-based line of credit\* or a home equity loan may be a more cost-effective way to pay instead of selling securities that are part of your long-term investment plan. These types of loans can offer quick liquidity and flexibility to help you meet your tax obligation, at competitive interest

rates. And you may be able to avoid capital gains taxes that could result from selling appreciated investments.

**Carefully select investments that could be sold for additional liquidity.**

In some cases, selling securities to capture capital losses or rebalance a portfolio is a good idea. Talk to your advisor about securities that could be harvested for capital losses or ones that you can sell to help bring your portfolio back into alignment with your long-term goals. Another possible benefit? Unused realized capital losses may be available to offset future tax bills. Please remember that the process of rebalancing may result in tax consequences.

**If possible, avoid these ...**

**An unfavorable offer in compromise.**

The IRS may negotiate an offer in compromise (OIC) to help you settle your bill for less than you owe. However, be aware that there are associated costs, including a filing fee.

**Paying with a high-interest-rate credit card.** This kind of debt can negatively impact your credit score and quickly rack up fees, making it harder to pay down the principal. Even though the IRS also charges interest, it's far lower (3%) than most credit card companies.

**Taking money from your retirement accounts.** It's not a great idea to undermine a long-term plan by withdrawing funds early. You'll be faced with penalties, as well as additional taxes on the amount you take out, which could mean you won't have as much to pay your tax bill as you thought. And you'll have even less for retirement.

**Plan ahead**

If you do end up owing taxes, talk to your tax and financial advisors about other ways you can pay the bill without disrupting your investment plan or depleting savings. If you anticipate owing taxes again, you may also want to discuss investment and tax-saving strategies to reduce your liability next year and beyond. **W**

\*A securities based line of credit may not be suitable for all clients. The proceeds from a Securities Based Line of Credit cannot be used to purchase or carry margin securities. Borrowing on securities based lending products and using securities as collateral may involve a high degree of risk. Market conditions can magnify any potential for loss. If the market turns against the client, he or she may be required to deposit additional securities and/or cash in the account(s) or pay down the loan. The securities in the pledged account(s) may be sold to meet the collateral call, and the firm can sell the client's securities without contacting them. The interest rates charged are determined by the market value of pledged assets and Capital Access.

Securities Based Line of Credit provided by Raymond James Bank. Raymond James & Associates, Inc. and Raymond James Financial Services, Inc. are affiliated with Raymond James Bank.